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ABSTRACT

This report, which includes the conclusions of the Organisation for Economic Cooperation and Development (OECD) Working Party on Employment and Unemployment Statistics, analyzes arrangements for compensating workers in the OECD countries who are temporarily laid-off or subject to short-time work. In introductory sections to part 1, the concepts of partial unemployment and lay-offs are defined. Subsequent sections examine the differences among the various national administrative practices for the compensation of total and partial unemployment, explore the implications of these differences for the classification of laid-off persons in national unemployment statistics, discuss the imperfections of the international definitions of employment and unemployment, and propose ways in which these definitions might be improved. Annexes to part 1 contain proposals for ways to modify the 1954 international definitions of employment and unemployment and present definitions adapted by the Eighth International Conference of Labour Statisticians. Part 2 contains 11 chapters on individual OECD countries, providing material that served as the basis for the analysis in part 1. The institutional framework for compensation for lay-off and short-time working and statistical aspects (sources of statistics on unemployment) are discussed for these countries: Belgium, Canada, Denmark, the Federal Republic of Germany, France, Ireland, Italy, Luxembourg, the Netherlands, the United Kingdom, and the United States. (YLB)

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# LAY-OFFS AND SHORT-TIME WORKING

## IN SELECTED OECD COUNTRIES

by
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Institut national de la statistique
et des études économiques, France

together with Conclusions by the OECD Working Party
on Employment and Unemployment Statistics

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*THE OECD CATALOGUE OF PUBLICATIONS and supplements will be sent free of charge on request addressed either to OECD Publications Office, 2, rue André-Pascal, 75775 PARIS CEDEX 16, or to the OECD Sales Agent in your country.*

This report contains a study produced for the OECD Working Party on Employment and Unemployment Statistics by Bernard Grais, of the French Institut National de la Statistique et des Etudes Economiques, together with the conclusions of the Working Party. It reviews arrangements in different OECD countries for compensating workers on temporary lay-off or subject to short-time working.

When economic difficulties force them to reduce the total number of hours worked over a given period, firms may rely either on redundancies or on systems of temporary lay-offs and short-time working. This second solution is increasingly favoured when the economic difficulties are considered to be purely temporary. There are two reasons for this. First, there are the high levels of redundancy payments and other fixed costs involved in dismissing and rehiring workers. Second, there is the high level of investment represented by a trained labour force. Recourse to lay-offs or short-time working is thus a means of reducing the level of labour input in the short term without necessarily affecting the size or capabilities of the workforce available to the firm when economic conditions improve. From the viewpoint of the employee such systems may avoid dismissal and the need to search for a new job, with all the private and social costs that this may involve. Systems for compensating workers who are laid off or put on short-time working are thus of considerable importance in easing problems of short-term economic adjustment.

The Working Party initiated the enquiry because the administrative systems for compensation, and hence the measures adopted by firms, vary to a high degree from one country to another. The differences are most marked between North American and European countries and have important implications for international comparisons of employment and unemployment.

The study was preceded by a general review of the national and international definitions of employment and unemployment, published as Measuring Employment and Unemployment. In general, the Working Party then considered that the existing definitions, adopted by the Eighth International Conference of Labour Statisticians in 1954 provided a "satisfactory general framework" which was "still valid" (1), but added that certain important labour force categories might not be treated appropriately by the existing definitions and singled out the categories of lay-offs and persons affected by short-time working for more detailed investigation. In numerical terms these categories may be of considerable importance. For example, in the United States, in May 1982, lay-offs at 1.77 million persons

1. See Measuring Employment and Unemployment, OECD, Paris, 1979, page 7.

represented 18 per cent of the total unemployed, while in Germany there were 454 800 persons eligible for compensation for short-time working in May 1982 and 773 000 in 1975.

The Working Party's present conclusions, reproduced in Annex A of this publication, propose ways in which the 1954 international definitions of employment and unemployment might be modified both to take better account of the different administrative arrangements in different countries and to produce an improved statistical classification for economic and social analyses. The crux of the matter is that under certain circumstances persons on temporary lay-off may be considered to be in a very similar situation to persons on short-time working but, according to the existing international definitions, persons on temporary lay-off are defined as unemployed while persons on short-time working are defined as employed. The more refined approach specified in the conclusions of the Working Party requires additional data, but these already exist in some countries and at least one other country, the United States, is investigating ways of developing them.

The value of this work from a statistical viewpoint should not obscure its value for comparative policy analysis. It should contribute to policy debate in the following areas :

i) methods of compensating reductions in work time ; and, more generally,
ii) the balance between employment security and job attachment on the one hand and the need for adjustment to economic change on the other.

M. Grais' report was begun on the basis of national replies to a short questionnaire addressed to Member countries in June 1978. The analysis of these replies was supplemented by detailed studies of France, the Federal Republic of Germany, Italy, the United Kingdom, Canada and the United States. Subsequently, under the aegis of the Statistical Office of the European Communities (EUROSTAT), five other OECD countries were studied. This joint work thus also forms part of the EUROSTAT programme of research on statistics of employment. Other aspects of employment statistics in the Member countries of the European Communities being studied under the aegis of EUROSTAT include the scope and definitions of registered unemployment, unfilled vacancies and industrial disputes. Reports on these and other studies are available from EUROSTAT (Luxembourg B.P. 1907).

The conclusions of the Working Party on Employment and Unemployment Statistics are published with the approval of the Council of the OECD. The report by Bernard Grais does not commit either the OECD or EUROSTAT in any way.

Part One

# LAY-OFFS AND SHORT-TIME WORKING IN SELECTED OECD COUNTRIES

by

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# I

## INTRODUCTION

In times of adverse economic conditions, before carrying out any actual dismissals firms generally begin by reducing the duration of work, first by cutting out any hours over and above "normal" hours and then by reducing the time worked to less than normal hours. In this last case there is what may be called "partial unemployment". (1) These practices are usually encouraged by governments since they regard them as a way of limiting dismissals and preventing an increase in unemployment. Partial unemployment can take two forms ; a reduction in daily hours worked or an alternation of days worked with days not worked. For example, in the case of a 50 per cent reduction in the volume of work required, a firm's employees may work only half a day every day or one week in two. In the second case, when employees do not work for full days or periods, they are said to be laid off or stood down. In particularly serious situations the duration of the lay-off may be long or even indefinite.

From the economic and social standpoint the two forms of partial unemployment are the same ; i.e. the objective of reducing the volume of work has been achieved without dismissals, since when persons are laid off their contracts of employment are only suspended, not terminated. The choice that is made between the two forms of reducing the volume of work depends largely on the compensation arrangements in force. The preferences that may be observed in the different countries, either for a reduction in daily hours or for laying off the persons concerned for periods of varying lengths, reflect differences in legislation or contractual guarantees on the subject, but not fundamental differences in economic and social situations.

This being so, it would appear logical if, in employment and unemployment statistics, persons whose daily hours of work have been reduced and those who have been laid off were put into the same category.

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1. In this report the term 'partial unemployment' will be taken to embrace both short-time working and temporary lay-offs. The meaning of the term 'lay-offs' is described in Section II below.

However, the international norm adopted by the Eighth International Conference of Labour Statisticians in 1954 recommends a different solution. According to it (2), "persons on temporary or indefinite lay-off without pay" are regarded as persons in unemployment, whereas persons affected by reductions in time worked are classified as having a job and fall into the category of visible under-employment (3). In the applications made of this recommendation, inter alia in household sample surveys of the micro-census type, the "without pay" criterion is as a rule not used (being too vague or too difficult to apply).

The thesis put forward here is that the international norm currently in force has a number of shortcomings which argue in favour of its being revised. In order to decide whether this is necessary, the first step must be to find out what compensation arrangements exist in the different countries for persons in partial unemployment in its two forms, namely a reduction in daily hours worked and lay-offs, compared with those for the wholly unemployed, and what solutions have been adopted as regards the classification of persons laid off in national employment and unemployment statistics.

Section III of this report examines the differences between the different national administrative practices for the compensation of total and partial unemployment. From this point of view, three groups of countries are distinguished. First, there are the North American countries, Ireland and the United Kingdom. The North American countries tend to discourage the use of partial unemployment, severely restricting compensation for a reduction in daily or weekly hours of work. The second group comprises Denmark, the Federal Republic of Germany, the Netherlands and Luxembourg. Their systems, while different in their underlying principles, present the common characteristic of being neutral from the point of view of the choice which may be made between redundancy, reduction in daily hours of work and the use of temporary lay-offs, when economic activity is reduced. The other countries included in the study, Belgium, France and Italy, are each in an intermediate situation. In these countries, either lay-offs (Belgium, Italy) or reductions in daily working hours (France) may be encouraged.

Section IV examines the implications of these differences in administrative practice for the classification of persons laid off in national unemployment statistics. In the North American countries the official unemployment statistics are based on survey data. However, in all of the European countries, the official unemployment statis-

2. See Annex B.

3. See the definitions of 'visible under-employment' contained in International Recommendations on Labour Statistics, ILO, Geneva, 1976, pages 33-36.

tics are based on administrative data collected by employment placement agencies or employment insurance offices. None of these administrative data are in accordance with the international recommendations for the classification of workers laid off. In most countries, workers laid off are excluded either totally or partially from the unemployment count. They are excluded totally in the case of Belgium, France, Germany, Italy, Luxembourg and the United Kingdom and partially in the case of Ireland and the Netherlands. In the European Community, they are included only in Denmark, but under the same heading as workers affected by reductions in daily or weekly hours of work. (This is because of the calculation of the numbers of unemployed in terms of full-time equivalents).

At the same time, all of the countries included in the study do carry out one or more labour force surveys. In the North American countries these are the source of the regular, official statistics on employment. In the European Community countries, labour force surveys may be carried out either for purely national purposes or under the aegis of the statistical office of the European Communities. Nevertheless, only one country, France, produces unemployment statistics from its labour force survey in accordance with the international recommendations (which require persons laid off during the whole of the reference week to be classified among the unemployed). In the other countries, these persons are, in principle, considered as in employment. It should be noted, however, that their precise classification is still uncertain. As a result of administrative and institutional practice in these countries, respondents may fail to mention that they have been laid off from a job and reply simply that they are looking for work. In that case, they will be classified as unemployed and it will not be possible to identify them separately. Imperfect replies of this kind cannot be ruled out in any country. As far as the European countries are concerned, the problem is most likely to arise in those countries (Ireland, United Kingdom) where the legal link between the employer and employee is the weakest and where persons laid off are classed as in total unemployment because of the way they receive benefit. It applies also to Denmark because of the way that the survey questionnaire has been drawn up.

Sections V and VI discuss the imperfections of the international definitions of employment and unemployment and propose ways in which these definitions might be improved.

The material included in the country chapters (Part Two) provided the basis for all the analysis described above. Although only eleven Member countries are covered in detail, information for most of the other countries was obtained by means of a questionnaire sent to all Member countries in June 1978.

# II

## THE CONCEPT OF A LAY-OFF

Part of the ambiguity of the 1954 international recommendation is due to the fact that the concept of a "lay-off" was not defined.

A person laid off will be defined here as a person whose contract of employment has been suspended for a specified or unspecified period at the end of which the the person concerned has a recognised right to recover his employment. (1)

A lay-off is characterised by the fact that a legal link is maintained between the employee and his employer. It therefore differs from a dismissal which implies a straightforward termination of the contract of employment with the various consequences that may entail, e.g. giving of due notice, payment of compensation, etc.

In a number of countries, such as the United States, Canada and Denmark, the legal link remaining, in the case of a lay-off, between the employee and the employer is very much weakened, if not non-existent. In the United States, for example, there is no legislation governing lay-offs. They are sometimes covered by collective agreements. As a rule, an employee's entitlement to being given back his former job depends on length of service. This entitlement is not recognized in respect of non-unionized workers.

The fact that there was no precise definition of a "lay-off" means that the 1954 international norm which classified "all persons on temporary or indefinite lay-off without pay" as "unemployed" was applied to highly dissimilar situations. In countries where, because of national institutions, a very strong link is maintained between the employer and the employee, who is virtually certain to get back his job at the end of the period of suspension, and where compensation for the lay-off is paid because the worker is treated as partially unemployed, the classification of all lay-offs as unemployed seems open to considerable criticism. In countries where the legal

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1. The slightly broader definition eventually adopted by the Working Party is to be found in Annex A of this study.

link remaining between the employer and the laid-off worker is very tenuous, if not non-existent, and where compensation for being laid off is paid because the worker is treated as wholly unemployed, the classification suggested by the 1954 International norm seems more justified. But one may query whether this justification is based, in the final analysis, on the fact that the situations in question tie in more with the concept of dismissal for economic reasons than with that of being laid off.

An analysis of the compensation arrangements for lay-offs in the countries selected for detailed study will give a better understanding of the diversity of the various situations.

# III

## ARRANGEMENTS FOR COMPENSATION FOR LAY-OFFS AND SHORT-TIME WORKING

### 1. CANADA, IRELAND, THE UNITED KINGDOM AND THE UNITED STATES

This first group of countries have compensation systems based on a common set of principles, which were indeed originally developed by these countries. According to these principles, the use of short-time working is strongly discouraged. Compensation for reductions in daily hours of work is almost completely ruled out in practice. Compensation may be paid only for full days laid off alternating with full days of work or even full weeks laid off alternating with full weeks of work. However, under the pressure of circumstances, this initial unity has tended to disappear.

In the United Kingdom, compensation for short-time working in effect is confined to that for laid-off persons : for compensation to be paid, the reduction in time worked must necessarily be in the form of a "suspension" during whole days, a reduction in daily hours worked not giving entitlement to compensation (1). Partial unemployment will therefore only in very exceptional cases take the latter form in the United Kingdom.

Under the terms of the 1975 Employment Protection Act, in the event of a reduction in the volume of work offered by a firm the employees affected receive from the employer, for each whole day of work lost, "guaranteed payments" of an amount equivalent to their normal daily wage. Payment of these allowances is currently limited to the first five days of work lost in any period of three months and their amount cannot exceed £ 8.75 per day. These limits, which are laid down by law, are reviewed each year. The allowances are borne by the employer who receives no compensation.

For periods in excess of five days in the rolling quarter that are compensated, workers suffering a reduction

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1. Unless provided for in the collective agreement.

in working time are covered by the normal unemployment provisions and may claim unemployment benefit, provided certain conditions are satisfied. However, several rules operate to limit the amount of flat-rate benefit and earnings-related supplement which can be paid to those on short time or laid off, and indeed have the effect in practice of preventing them from benefiting from the earnings-related supplement. Thus compensation for partial unemployment tends to be less favourable than for total unemployment. (Details are given in the United Kingdom Country Chapter, in Part Two.)

Under the terms of the "Temporary Short-Time Working Compensation Scheme", one of the special measures being used to combat high unemployment, employers may claim reimbursement for retaining their workforce on short time rather than make them redundant. Compensation takes the form of repayment by the government to the employer of 50 per cent of a normal full day's wages for each day on which no work is provided. During the 9-months period in which reimbursement may be paid the employer is expected to take steps to ensure the future viability of those affected jobs.

Overall, the British system for compensation for partial unemployment strongly encourages the use of laying-off rather than reductions in daily hours worked as a means of achieving a reduction in the overall volume of work. However, the incentive to have recourse to redundancies rather than short-time working, which results from this, was considerably weakened by the introduction of the "Temporary Short-Time Working Compensation Scheme".

In Ireland, there is no special system for compensation for partial unemployment. The situation is similar to that of the United Kingdom before the introduction of compensation for partial unemployment as such by the Employment Protection Act of 1975. Partial unemployment gives rise to compensation only to the extent that it comes under the general unemployment compensation scheme. The provisions of this general unemployment compensation scheme severely restrict the possibility of recourse to partial unemployment despite the fact that they are interpreted in a liberal fashion. This is for the following reasons :

a) In order to give rise to compensation under the national social security system, any reduction in hours of work must take the form of 'suspension' during whole days rather than a reduction in daily hours of work.

b) Owing to the waiting period applied, the first three days of lay-off during a period of thirteen weeks are not compensated. Besides this, earnings related supplements may be received only after twelve extra days of lay-off. Contrary to the case

of the United Kingdom, Ireland has no special arrangements designed to prevent workers laid off from benefiting from earnings-related benefits.

c) The application of the 'three-days-in-six' rule removes any possibility of using partial unemployment in a flexible way. During the week, compensation is only possible when there are at least three days of lay-off (including Saturdays). Under this system, it is impossible to compensate a reduction of 20 per cent in the volume of work (for example, one day not worked for every four days worked). Owing to this practice, in 80 per cent of cases, partial unemployment in Ireland takes the form of weeks containing three days worked. The vast majority of other cases consist of weeks of work alternating with weeks not worked.

Nevertheless, the provisions for unemployment compensation are interpreted as liberally as possible in order to allow recourse to partial unemployment. In particular, the rule by which the total of the flat rate benefits and the earnings-related benefits may not exceed 85 per cent of the previous wage is not applied to people in partial unemployment. The limit applying to them is the weekly wage of the reference week.

In this way, the duration of partial unemployment may be indefinite. Persons in partial unemployment come under the rule applying to total unemployment under which it is necessary to have accumulated 13 weeks of work in order to be eligible for a new period of compensation and fulfil this condition automatically.

Thus, similar to the British system, the Irish provisions for unemployment compensation contain a strong incentive for any temporary reduction in activity to take the form of lay-offs rather than a reduction in daily hours of work.

At the same time, the liberality with which the regulations for total unemployment are interpreted when applied to cases of partial unemployment reduces the tendency, which the system embodies in principle, to encourage redundancies as opposed to reductions in working hours.

The systems of compensation in force in Canada and the United States are based on a common set of principles whose essential characteristic is that partial unemployment as such is not compensated. This is the case whether it is in the form of a reduction of daily hours or in the form of days not worked followed by days worked. Partial unemployment may give rise to compensation only to the extent that it is covered by the provisions for total unemployment. The regulations in force in Canada and in the United States, and the special conditions applying to each

state in the framework of the federal legislation, limit even these possibilities severely.

Broadly speaking, in practice in Canada and the United States, compensation for partial unemployment is possible only when the people concerned are laid off during full weeks, alternating with weeks of work. A reduction in daily hours of work is not compensated. Besides this, because of the existence of a waiting period, no payments may be received during the first two weeks of lay-off in Canada and the first week in the United States. (2)

In both of the countries there are arrangements to allow people concerned to carry out small quantities of paid work in the course of a week during which they receive unemployment compensation. However, they have clearly been conceived in such a way as to limit this practice to insignificant amounts of casual work. When there is paid work during a week of compensated unemployment, the amount of the weekly payments is reduced. This rule is justified by its underlying principle, but the way in which the reduction is calculated is in general such as to dissuade the person concerned from working more than a few hours per week.

In Canada and in 48 states of the United States, earnings received from work done are deducted in their totality from the unemployment payments over and above a specified level. In Canada this level corresponds to an amount of work approximately equal to 15 per cent of the time worked in the previous week, i.e. 6 hours when 40 hours had been worked in the preceding week. In the United States the level varies from one state to another but is usually equal to an even lower number of hours of work. In the four other states (3) only a fraction of the earnings received is confiscated. This ranges from 2/3 (Connecticut) to 4/5 (Kentucky). By contrast to the preceding formula, this method of reduction of payments tends to encourage the supply of as great an amount of work as possible. However, the resulting rate of compensation for the hours of work lost is lower than that for total unemployment, when significant reductions in the volume of work are concerned. This method cannot therefore be used for the compensation of partial unemployment. It is more to the advantage of persons concerned to choose to be laid off for full weeks, alternating with weeks of work, rather than to choose a reduction in their weekly hours.

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2. Twelve states without a waiting period form an exception to this rule.

3. Connecticut, Kentucky, Nevada and Washington. (It should be noted that in this report the term "states" is used somewhat generally, and includes the Virgin Islands, the District of Columbia and Puerto Rico.)

The Canadian and United States provisions for the compensation of unemployment thus totally discourage recourse to a reduction in weekly hours of work as a response to a temporary slackening-off in activity caused by a temporarily unfavourable economic situation. In a situation where a firm in Germany, and generally speaking a firm in Continental Europe, would adapt its level of working by reducing the number of weekly hours worked, without altering the numbers in its workforce, a Canadian or U.S. firm will inexorably be led to lay off some, or all, its workers. These lay-offs are distinguished from dismissals in the sense that the persons concerned should, in principle, be recalled to work by their employer. The date of this recall may or may not be specified. If it is not, the lay-off is for an indefinite period. Collective bargaining agreements take great pains to specify in which order people should be called back, when a recall takes place. (The order is determined essentially by length of service.) The system of alternating weeks of lay-off and weeks of work is compatible with the compensation provisions, as explained above, but it seems to be used only rarely in practice.

Owing to the fact that they do not provide for the compensation of partial unemployment, the Canadian and U.S. systems of unemployment compensation are currently under discussion. They are accused of encouraging the practice of dismissal and lay-off, when economic activity slackens, at the expense of other forms of reduction in the volume of work which are less prejudicial for employees.

In Canada, from September 1977 to end of 1979, and in the U.S. from 1978, in the State of California, limited experiments in "work sharing" have been carried out. These allow partial unemployment compensation to be paid to workers in exchange for a reduction in their weekly hours of work, with the aim of preventing lay-offs or dismissals in the firms in which they work. In both cases the essential characteristics of the provisions are rather close to those currently applied in Germany. The rate of compensation for total and for partial unemployment are the same. The provisions are neutral as regards the choice which may be made, according to circumstances, between a reduction in weekly hours of work and lay-offs or dismissals. It does not seem that the Canadian experiment will be generalised, nor even renewed in the immediate future, since the costs have been judged excessive. By contrast, the Californian programme (established without any initiative on the part of the federal authorities) has been prolonged.

## 2. DENMARK, GERMANY, LUXEMBOURG AND THE NETHERLANDS

These countries share the characteristic that their systems of unemployment compensation are neutral from the

point of view of the choice that may be made between recourse to redundancies or partial unemployment on the one hand, and between reductions of daily hours of work and lay-offs on the other hand. Whatever form is taken by the reduction in the volume of work, the rate of compensation for hours not worked is the same. The Danish system is based on a unique and novel set of principles. Those of the three other countries are more traditional and are very similar in concept.

The Danish system of unemployment compensation, instituted by the law of 29 June 1979, is based on the principle of voluntary insurance. Each worker is invited to become a member of an unemployment insurance fund and to insure himself for a certain number of weekly hours of work. To receive compensation, it is not necessary for the unemployment experienced to be total. The number of hours of unemployment giving rise to compensation is determined by reference to the number of weekly hours insured. For a full-time worker, the number of weekly hours insured is normally 40. Provided that his weekly hours of work are at least 30 hours, an employee has the right to insure 40 hours. A part-time worker whose hours of work fall between 15 and 30 per week, may insure himself for that number of hours.

When the number of hours worked is less than the number of hours insured, compensation is payable for the hours not worked. This compensation is subject to certain special conditions designed to encourage the worker to work more hours. Thus, the holder of a post whose normal hours of work are less than 40 hours per week, for example 32 hours, but who has insured himself for 40 hours, as is his right, will receive eight units of hourly compensation, on condition that :

a) he is registered at an office of the Employment Service Agency as looking for work of 40 hours ;

b) his employer has given up his right to the month's notice, which would normally be worked when a work contract is broken, so that the worker is free to start another job immediately. Of course, the worker is obliged to take up immediately any job of a duration of 40 hours per week which he might be offered unless he has a legitimate reason for not doing so.

The ways in which the volume of work may be reduced, whether by reducing the weekly or daily hours or by temporary lay-off or by redundancy, affect neither the conditions of eligibility nor the rate of compensation. In every case, this rate equals 90 per cent of the gross wage previously paid, within the limit of a ceiling which is fixed rather low in relation to the minimum wage. Thus this is an example of a system which is completely neutral in

principle from the point of view of the choice which may be made between the different forms of reduction in the volume of work.

It may be noted that the Danish system goes beyond the systems of compensation for partial unemployment in force elsewhere. This is because it provides compensation not only for workers whose weekly hours have been reduced because of a reduction in activity of their firms, but also for those who have been forced to accept a post of less than 40 hours a week because they could not find a full-time job.

Despite its very liberal character, the system of compensation for partial unemployment in Denmark does embody one restriction. Unemployment compensation payments are paid to workers only when they represent at least eight hours of work per week for those insured full-time, or the average duration of a day's work for those insured part-time. To give rise to entitlement for benefit, the reduction in the length of work during a particular week must therefore reach at least 20 per cent. This restriction is likely to mean that the reduction in working time is arranged to meet the conditions governing compensation and so imposes no real obstacle to the neutrality of the system.

The systems in Germany, Luxembourg and the Netherlands are less original in conception. In these countries there is a system of compensation for partial unemployment which operates in parallel with the system of compensation for total unemployment. Access to partial compensation payments depends on specific national conditions, all generally designed to ensure that the reduction in activity is due to short-term economic factors rather than seasonal, structural or permanent ones and that the firm concerned has exhausted all possibilities of maintaining a normal level of work from its own resources (curtailment of overtime working, etc.). Since these systems have been instituted to alleviate unemployment, these conditions are interpreted in a very liberal way.

In these countries, the arrangements for compensation for partial unemployment have been designed so that the rate of compensation is the same for all forms of reduction in the volume of work, be this total unemployment (redundancy) or partial unemployment (reduction in hours of work or temporary lay-off).

The possibility of having recourse to compensation for partial unemployment is nonetheless advantageous both to the firm and to the workers. It enables the firm to maintain an experienced workforce and to avoid the costs a dismissal followed by a rehiring would entail. The counterpart of this advantage is the maintenance of the contract of employment which involves the firm in a number of obligations towards the employee. It makes no difference

here whether the reduction in time worked takes the form of shorter daily hours or a lay-off. The dividing line clearly lies between situations in which the contract of employment is maintained (reduction in daily hours and lay-offs) and situations in which the contract is terminated (with the person totally losing his job).

The German system of compensation for "short-time working" ("Kurzarbeit") (4), was introduced explicitly to combat increases in the number of wholly unemployed persons in times of adverse economic conditions. By making it possible to make a temporary adjustment in the volume of work without reducing the number of people in employment, this system is consistent with the policy of strengthening the protection of workers against dismissals (Act on Protection against Dismissals - Kündigungschutzgesetz") of 1974 and Constitutional Act of the Firm ("Betriebsverfassungsgesetz") of 1972.

As noted above, the German system of compensation is entirely neutral from the standpoint of the choice that can be made between reducing daily hours worked and laying off workers for full days. For example, in the case of a 50 per cent reduction in the volume of work required, a firm's employees may have to work either half a day every day (reduction in hours) or one week in two (lay-offs). In both cases, compensation of 68 per cent will be paid for the hours not worked.

The compensation system is also neutral as regards the choice that can be made between "Kurzarbeit" and a dismissal : in the case of a dismissal, the unemployment benefit ("Arbeitslosengeld") is also 68 per cent of the previous wage.

As in the case of the two countries discussed above, the Luxembourg system of compensation for partial unemployment has the characteristic of being neutral as regards the choice which may be made between the different forms of temporary reduction in the volume of work.

The rate of compensation for hours of partial unemployment is the same as that for total unemployment, that is, 80 per cent of the previous wage, within a ceiling. This ceiling is the same as that applied to total unemployment during the first six months. Compensation payments are normally paid during a maximum period of six months but this period may be prolonged by successive six-monthly periods after careful investigation of the circumstances.

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4. The term "Kurzarbeit" covers exactly the same situations as does the expression "chômage partiel" in France.

Nevertheless, partial unemployment in Luxembourg is subject to a number of restrictions which do not apply in the two countries above :

a) The firm affected by partial unemployment must belong to one of the economic sectors mentioned in a list drawn up by the Ministries of Employment, National Economic Planning and Finance in the light of the current economic situation.

b) For compensation to be paid, the reduction in the duration of work may not exceed 50 per cent of the normal monthly work duration.

c) The first 8 hours of partial unemployment each month are compensated only if the employer undertakes to do so. (The first 16 hours of partial unemployment of each month are not compensated by the State. They are the joint responsibility of the employer and the worker. Their respective contributions must be agreed by the parties concerned ; the part paid by the worker may not exceed 8 hours).

Despite some restrictions of this type, it is still to the advantage of both firms and workers to have recourse to partial unemployment compensation rather than redundancies when economic activity is reduced temporarily - and even when it is reduced for long periods of time.

In the Netherlands, partial unemployment compensation depends not on particular legal provisions but rather on a liberal interpretation of the rules governing compensation for total unemployment. This system allows compensation equally well for a reduction in hours of work ("Werktijdverkorting") as for temporary lay-offs ("Onderbrekingswerkloosheid"). The system is similar to the German system and it too is neutral as regards the different forms which a temporary reduction in the volume of work may take.

In the case of partial unemployment, workers receive their normal wage for the hours worked plus that fraction of unemployment benefit corresponding to the level of reduction in the number of hours worked in relation to normal hours worked. Hours not worked are thus compensated at the rate of 80 per cent, as in the case of total unemployment ("Werkloosheidswet"). As a rule, the employer pays the 20 per cent which remains. Sometimes he is bound to do this under collective agreements. Thus the Dutch system of compensation for short-time working is very favourable from the workers' point of view. It allows them to keep their jobs and usually their pay. Compensation for short-time working is normally paid during a maximum period of 6 weeks but this may be extended. This facility of prolongation is used more and more frequently.

The administrative procedures applied in the case of reduction of hours are different from those applied in the case of lay-offs, during the whole period specified by the employer (up to 6 weeks). When weekly hours have been reduced ("Werktijdverkorting"), it is the employer who makes the declaration of the number of hours not worked to the Employment Office and who receives the amount of partial unemployment benefit. He then gives it to the workers, generally supplementing it so that the previous wage is maintained in its entirety. Workers affected by the reduction in hours of work are not obliged to register at an employment office. In the case of lay-offs ("Onderbrekingswerkloosheid"), it is necessary to register as looking for work and the unemployment compensation is paid directly to the worker concerned.

## 3. BELGIUM, FRANCE, ITALY

The countries in this third group occupy positions intermediate between those of the first two groups. Their provisions for the compensation of total and partial unemployment do not respect the principle of neutrality between the different possible forms that a reduction of activity may take but they do not go so far as to exclude any of them completely. The arrangements embody certain restrictions and, in different cases, favour either lay-offs (as in Belgium, Italy) or the reduction in daily hours of work (as in France).

In Belgium, partial unemployment compensation is possible only for manual workers. In their case, the employer may either suspend the work contract completely or adopt a system of short-time working during a long or short period. The loss of pay incurred by workers is covered by unemployment insurance at the highest rate, i.e. 60 per cent of gross pay.

If the contract is completely suspended - in other words, if workers are laid off during the corresponding period - the maximum authorised duration of suspension is 4 weeks. At the end of this period, one week of full time work must occur. In the case of a system of short-time working, incorporating less than 3 days of work per week or less than one week of work in two, the maximum duration for the reduction in hours which may be authorised is normally 3 months. At the end of this period, work must be restarted for one week. If the system embodies at least 3 days of work per week or one week of work in two, there is no limit to its duration.

Compensation is payable only when the reduction in working time takes the form of whole days or complete half-days. In fact, compensation is paid only for full

days of unemployment and half-days of unemployment which added together form whole days of unemployment. Apart from this, on the initiative of employers, "Fonds de sécurité d'existence" have been set up in sectors frequently affected by partial unemployment (construction, diamonds, textile, clothing, etc.). These provide a supplement to partial unemployment compensation and may raise the overall rate of compensation to 90 per cent or even 100 per cent of the previous net pay.

The Belgian arrangements thus only encourage firms to keep on their manual workers in times of unfavourable economic circumstances. Owing to the way the compensation is paid, for full days unemployed or pairs of half-days unemployed, the system tends to encourage lay-offs rather than a reduction in daily hours of work.

In France, the compensation system for partial unemployment tends, on the contrary, to favour a reduction in daily hours worked. Indeed, compensation for hours lost is the rule, while that for periods of lay-off is provided only in exceptional cases and for two 14-days periods at the most. For additional periods, compensation for being wholly unemployed is paid.

By virtue of the national agreement covering trade and industry of 21 February 1968 (and the supplementary clause of 17 March 1980) hours not worked are compensated at the rate of 50 per cent, as well as periods of lay-off up to the limit of two 14-day periods. This compensation is less favourable than that for total unemployment for those people who fulfil the conditions for special benefit ("allocation spéciale"), namely dismissal for economic reasons, when at least 60 to 75 per cent of previous gross pay is received. It is also less favourable for those people having the right to only the basic benefit ("allocation de base"). At 1 October 1980, this was 25 francs per day plus 42 per cent of previous gross pay. Recourse to partial unemployment is however frequent, since this solution presents advantages to both firms and workers. It allows firms to avoid the costs of a dismissal followed by a re-hiring of workers, and it allows workers to safeguard their jobs.

When compensation is paid for a reduction in daily hours of work, its extent is limited to an annual total of hours compensated which in 1980 was fixed across the board at 400 hours for all economic sectors.

In Italy, compensation arrangements are neutral in respect of manual workers in industry as regards the choice between a reduction in daily hours worked and lay-offs. They are not neutral in respect of white collar workers in industry or farm labourers, for whom only lay-offs ("sospensione dal lavoro") can give title to compensation. Compensation for partial unemployment, which

amounts to 80 per cent of the total remuneration the employee would have received for the hours not worked, is very advantageous in comparison with the standard benefit (Lire 800 per day) and even with the special benefits for workers in industry (in the event of new technological processes being introduced), construction and agriculture (as a rule 60 to 66 per cent of the previous wage).

The maximum period of unemployment compensation varies according to the particular rules applying. In certain cases it may be limited to 13 weeks but generally it may be extended for a year and even beyond, in the case of manual workers and non-manual workers in industry. For farm-labourers, the maximum duration is 90 days per year.

Unlike the Canadian and United States schemes, the Italian system encourages firms to maintain their work-forces in times of adverse economic conditions by having recourse to a reduction in daily hours worked and lay-offs. It is comparatively neutral as regards the form the reduction in the volume of work takes, with some incentive to carry out lay-offs for white-collar workers and farm labourers.

This wide variety of compensation schemes, and their consequences for the policies implemented by firms in the event of a temporary reduction in activity, reveals the shortcomings of the current international norm for comparing unemployment levels in different countries. In order to bring about the desired reduction in the volume of work, firms in the member States of the European Communities, with the exception of Ireland and the United Kingdom, will have recourse, in differing degrees, both to a reduction in daily hours worked and to lay-offs for full days in respect of some or all of their employees. British and Irish firms will hardly ever adopt the second solution. In Canada and the United States, they would have no option but to lay off the people concerned for a period of at least one week without necessarily specifying the date of recall. If persons laid off are included in the figures for the wholly unemployed, these figures would show a larger increase in Canada, the United States, Ireland and the United Kingdom than in the countries discussed above, assuming the same cutback in activity. In fact, because of the classification of lay-offs in national unemployment statistics, this increase would, currently, appear only in the statistics of Canada and the United States.

# IV

## CLASSIFICATION OF PERSONS LAID OFF IN NATIONAL STATISTICS

There are, as a rule, two sources of national statistics on the wholly and partially unemployed (1) :

a) administrative data collected by employment placement agencies and employment insurance offices ;

b) household labour force surveys conducted by national statistical institutes.

In Canada and the United States, monthly labour force surveys provide the sole official source of data on unemployment (2). The survey questionnaires in Canada and the United States are specially designed to provide precise count of the number of people on lay-off.

In the nine countries of the European Community included in the study, the official data on unemployment are based on the administrative data collected by the employment placement agencies and employment insurance offices. In most cases, including France, Germany, Italy (3), Luxembourg, the Netherlands and the United Kingdom, these official series refer to registered unemployment, that is

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1. See the relevant country chapters for a description of the concepts used in national statistics on partial unemployment and for the various countries studied.

2. In the United States, the wide diversity between the states' unemployment insurance systems and placement agencies causes the administrative statistics on unemployment to be inconsistent, and was at the origin of the decision to develop the "Current Population Survey" for producing unemployment statistics. Canada has adopted the same solution in spite of a different situation. (Its system for unemployment compensation and placement are universal). Statistics of persons without a job registered at unemployment agencies in Canada are not published.

3. In Italy, the most commonly used unemployment measurement, based on the list of people registered at employment placement agencies generally combines persons without a job who have already worked and persons looking for a first job. Housewives looking for a job are generally excluded.

to say, to persons without employment registered at a public employment agency as looking for work whether they receive unemployment compensation or not. In the other cases - Belgium, Denmark and Ireland - they refer to the number of insured unemployed, that is to say, merely the people receiving unemployment benefits. In none of the European countries do the administrative statistics comply with the international recommendations on the classification of persons laid off.

In the majority of cases - Belgium (4), France, Italy, Luxembourg, United Kingdom - the series of total unemployed completely excludes persons laid off. In Ireland and the Netherlands, on the other hand, a compromise solution is used. In Ireland, persons working on reduced hours who alternate periods of unemployment with periods of work ("persons on systematic short-time working") are excluded from the unemployment total while those who are laid off during a continuous period (persons on temporary lay-off) are included. In the Netherlands, workers who have not worked at all during the period for which the employer has obtained an authorisation for short-time working ("zero hour workers") are classed as unemployed. Up to the present time, their number has always been insignificant. On the other hand, workers laid off because of bad weather are not included in the unemployment series.

The case of Denmark is without parallel and is worth enlarging upon. Because of the particular features of the unemployment compensation system in this country, the basic statistical information is the numbers of hours of unemployment suffered by a given person during a given week. These hours may correspond either to a situation of total unemployment or to a reduction of daily hours of work or again to temporary lay-off. This basic information allows the calculation of the average number of full-time equivalents in unemployment, according to the procedure described in detail in the country chapter on Denmark. These are the data which comprise the official Danish series of unemployment statistics.

Whilst the statistics of the previous countries were not in conformity with the international recommendation "by default", because they did not include persons on lay-off, the Danish series fails to respect the international norm "by excess". Indeed, the unemployment series

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4. In Belgium, the official statistics on unemployment, referring to wholly unemployed insured people, are complemented by statistics of the numbers of people registered at the ONEM ("Office National pour l'Emploi") as looking for work. In this second series, persons laid off after four consecutive weeks of suspension of their work contract are included because of the compensation procedures in force : it is not possible to distinguish them separately.

comprises not only the totally unemployed and persons laid off, but also those who, affected only by reductions in working hours, should be classed as invisible under-employment. The administrative unemployment statistics in Denmark do, however, have one lacuna. They supply no information on the form taken by the reduction in the volume of work, whether this be total unemployment, reduction in working hours or temporary lay-off.

Except in the case of Denmark, where, as seen above, the data do not exist, workers laid off appear in the statistics of persons compensated for partial unemployment either in their entirety (as in Belgium, Germany, Italy and Luxembourg) or in part (France, Ireland, Netherlands, United Kingdom). This depends on the way in which the compensation is paid. In the United Kingdom, the administrative source (temporarily stopped) is complemented for manufacturing industries and for manual workers only by a monthly enquiry giving information on "short-time working". None of these sources (5) allows persons subject to a reduction in daily working time to be distinguished from those who have been laid off during one or several consecutive days.

Apart from the official unemployment data from their administrative sources, the nine countries of the Common Market take part in the labour force sample survey organised every two years in the spring by the Statistical Office of the European Communities. At the national level, labour force household surveys are carried out at various intervals ; quarterly in Italy, every six months in Denmark and in France, annually in Germany, every two years, at the time of the community-wide survey, in the other countries.

In all of these surveys, with the exception of Denmark, the reference period for the classification of respondents is a week. As a consequence, persons laid off during only a part of this week are all classed as employed.

In seven of the countries (Belgium, Germany, Ireland, Italy, Luxembourg, the Netherlands and the United Kingdom), persons who reply that they have a job but have not worked during the whole of the reference week for reasons which correspond to the definition of lay-off, are also classed as in employment, despite the international recommendations. On the other hand, if such persons laid off fail to mention the existence of a job and reply that they are looking for work, they will be classed as unemployed. Thus there is an

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5. With the exception of the British series of temporarily stopped and the Irish on persons on systematic short-time working, which by definition include only persons on lay-off since only this form of partial unemployment gives rise to compensation.

uncertainty as to the classification. This second type of response cannot be excluded for any of these countries ; it is however much more likely in those for which the legal link with the employer is the weakest and where persons laid off are classed as in total unemployment because of the way that they are compensated. This is notably the case in Ireland for persons on "temporary lay-off" and in the United Kingdom for those who, not being eligible for compensation under the "Temporary Short-Time Working Compensation Scheme" and having exhausted their rights to the "guaranteed payments", have registered at an employment office of the employment service. It may be noted that their number is very small and this is also the case in the Netherlands as regards persons laid off during the whole of the reference week ("zero hour workers").

Only one country, France, classifies persons laid off during the whole of the reference week as unemployed. This is out of a concern to comply with the international recommendation.

In the Danish survey, the reference period for the classification of respondents is a given day. The classification of persons laid off during this reference day is no less subject to uncertainty. If respondents reply that they have a job from which they are absent, they will be classed as in employment. On the other hand, if they say that they are unemployed, they will be counted as unemployed. It is to be expected that this second type of reply is rather probable. This is because of the way in which the possible criteria of absence are listed in the survey questionnaire (lay-offs are not mentioned) and also because of the system of unemployment compensation in Denmark, which is the same whatever form is taken by the reduction in the volume of work (total unemployment, lay-offs or reduction in hours). In this survey, there is no method of distinguishing persons laid off (whose work contract has been temporarily suspended) within the total number of unemployed.

# V

## IMPERFECTIONS OF THE INTERNATIONAL NORM

The 1954 international norm, according to which "persons on temporary or indefinite lay-off without pay" are considered to be unemployed, has a number of imperfections and shortcomings.

### 1. LACK OF PRECISION OF THE DEFINITION

As pointed out earlier, the text of the Resolution adopted by the Eighth International Conference of Labour Statisticians (1), does not contain a definition of a lay-off. This lacuna implies that persons who have a recognized right to get back their jobs, often after a specified period of time, are treated in the same way as persons who do not have that right. However, the adoption of a precise definition, such as that proposed above at the beginning of this study, would make it possible to classify these two categories differently.

A second problem arises from the lack of precision and difficulty of applying the "without pay" criterion. As a rule, in OECD countries at least, a lay-off gives title to compensation. But its amount varies greatly from one country to another and even within one and the same country. In some cases, the compensation is borne in full by the employer ; in others, it is borne in full by the State ; in a third group of countries, it is a combination of the two, the allowances paid by the State being supplemented by the employer up to a certain percentage of the previous wage.

The expression "without pay" can be taken to mean either a) "that the whole of the previous wage does not continue to be paid", in which case all laid-off persons would be regarded as unemployed ; or b) "that part of the previous wage does not continue to be paid", in which case nearly all laid-off persons would be regarded as having a job, in spite of the major differences in the extent of compensation that may exist.

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1. See Annex B.

If one wanted to maintain this criterion, the logical conclusion would therefore be to specify a percentage of the previous wage below which the persons concerned would be classified as unemployed and above which they would be classified as having a job. The difficulties of interpretation and implementation of a pay criterion have, in fact, led most countries deliberately to ignore this aspect of the 1954 international recommendations when applying them in the context of household sample surveys of the micro-census type.

## 2. LACK OF CONCEPTUAL UNITY

If the definition of unemployment contained in the 1954 international recommendation is analysed, it can be seen that three general criteria come into play. In order to be considered as unemployed, a person must simultaneously satisfy the following conditions :

a) be out of work, or more precisely, not have worked during the reference period, and not have a job from which he was temporarily absent "because of illness or injury, industrial dispute, vacation or other leave of absence, absence without leave, or temporary disorganisation of work due to such reasons as bad weather or mechanical breakdown" ;

b) be seeking employment ;

c) be available for work (2).

The 1954 international definition does, however, make an exception with regard to laid-off persons (3). These persons satisfy condition (a) since they are absent from work for a reason (suspension of contract of employment) other than those set out in the text of the recommendation, and as a rule also satisfy condition (c) : they are available for work, temporarily at least, during the period of the lay-off. On the other hand, as an exception, they are absolved from having to prove that they are looking for work.

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2. A fourth criterion should probably be added : (d) be fit for work, since the expression "available for work" or "available for employment" should cover both the criterion of fitness and that of availability. This fourth criterion would be difficult to apply in practice.

3. A second exception concerns persons who have already found a job but will start work only at some future date. These persons need not satisfy condition (b), but the exception seems justified. Since this is a very marginal category, it will not be discussed any further.

It is open to question whether this exception is well founded, the point being that one or other of the following situations will be involved :

a) The legal link between the employee and his employer remains strong : the person concerned has a recognized right to getting back his job ; the lay-off period is limited over time and suitably compensated, and so on. In a situation of this kind, the person laid off, more often than not, will not look for a job. Why ? Because, in fact, he already has one from which he is temporarily absent : his position is not very different from that of an employee who has been prevented from working because of bad weather or mechanical breakdown. It is therefore not inappropriate to classify a person in this situation as having a job.

b) The legal link between the employee and his employer is tenuous, or even non-existent : the likelihood of the person concerned getting back his job is only small ; the lay-off period is long, or even indefinite ; entitlement to compensation is small, non-existent or exhausted. In a situation of this kind, the person laid off will more often than not look for a job. Given the tenuous nature of the relationship that still exists between him and his former employer, there is then good reason for considering him to be unemployed. If he does not look for work, he should be classified as out of the labour force on the grounds that he has abandoned the idea of working (4).

Upon analysis, therefore, it can be seen that the criterion of looking for work can be regarded as pertinent in certain lay-off situations.

The 1954 international recommendation's lack of conceptual unity has the effect of classifying as wholly unemployed persons who do in fact work ; e.g. one day in two or one week in two. The heterogeneity thus introduced into the concept of partial unemployment subsequently makes it impossible to devise a measurement of underemployment covering both the wholly unemployed and the partially unemployed during a given period in terms of the sum of the average number of wholly unemployed during the period and the number of partially unemployed expressed as equivalents of wholly unemployed.

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4. He will logically belong to the category of "discouraged workers" who, in times of adverse economic conditions, withdraw from the labour force of their own accord, and who are classified as out of the labour force.

## 3. PRACTICAL SHORTCOMINGS

The resolution ratified by Member states of the ILO in 1954 for classifying laid-off persons also has a number of practical shortcomings, some of which became evident during the analysis of the compensation arrangements for partial unemployment in force in the various countries studied.

As stated above, in many countries, in times of a slowdown in economic activity, firms are entitled to have recourse, under comparable conditions, either to a reduction in daily hours worked or to lay-offs for varying periods. In most cases, lay-offs, where, for example, only alternate days or weeks are worked, can be said to be a form of a temporary reduction in the volume of work that is exactly equivalent to a corresponding reduction in daily hours worked. The only factors that come into play with regard to the choice made are the preferences of the firm and its employees, given the regulations in force, for one or the other system. The effect of the current international norm is that the level of unemployment depends, all other things being equal, on the type of choice made ; if firms ask their employees to work alternate weeks over a certain period, the level of unemployment will be higher than if they opt, over the same period, for a half-day to be worked every day. These discrepancies between the effect of equivalent alternative measures on the level of unemployment seem unjustifiable.

The direct consequence of the above is that the 1954 international norm currently in force does not make it possible to ensure that unemployment statistics in different countries are comparable with one another. We have become acquainted with the wide variety of compensation schemes that are used in Europe and in the world in general. In the event of a decline in activity, in some countries these schemes encourage firms to opt for a reduction in daily hours worked ; in others, they encourage them to have recourse to lay-offs. If the current norm is applied, it will not be possible to make an exact comparison of the trend or level of unemployment in countries subject to different systems of compensation. For the same reduction in activity, the increase in unemployment will appear to be greater, for example, as we have already seen, in Canada, the United Kingdom and the United States than in France, Germany or Italy. This is a major shortcoming for an international norm which must, on the contrary, facilitate inter-country comparisons by means of a judicious choice of the concepts it puts forward.

The 1954 international norm also presents practical difficulties as regards its application. We have seen that in a number of countries partial unemployment is compensated regardless of whether it takes the form of a reduction

in daily hours worked or lay-offs during full-day periods. As a rule, the administrative statistics derived from the activities of the compensation services are not capable of making a distinction, in respect of the persons granted compensation, between those whose daily hours of work have been cut and those who have been laid off for periods of varying lengths. This is true of France, Germany and many other countries. In these administrative statistics the 1954 international norm could be applied only at the expense of a considerable increase in the resources used to manage the compensation services, and this is difficult to imagine.

In the same way, in these very same countries, and for the same reasons, official statistics of the wholly unemployed do not include lay-offs. Under these conditions, only household sample surveys are capable of providing data that comply with the international recommendations.

Where different definitions, one for official statistics and another for surveys, are used in one and the same country, there will obviously be disadvantages. This practice is inconsistent with any objectives of simplification and clarity there may be in this area. Furthermore, only administrative sources are capable of providing certain types of information, such as an assessment of the volume of partial unemployment during a given period - lay-offs included - expressed in equivalent terms to the number of wholly unemployed. Differences in definitions prevent the survey results (e.g. the number of persons wholly unemployed) being combined with those derived from administrative sources (e.g. the volume of short-time working).

# VI

## PROPOSALS FOR A NEW INTERNATIONAL NORM

Owing to the difficulties mentioned above in the statistical classifications of lay-offs, it may well be useful to look for a range of solutions allowing the refinement of international comparisons of the level and trend of unemployment. Such improvements may be sought simultaneously along three lines ; first, modification of the international norm to take account of the diversities of the situations met in practice ; second, a small improvement in the degree of harmonisation of labour force surveys ; third, the collection of complementary data to allow a comparison between the volume of work lost represented by lay-offs and the volume of work lost represented by persons in short-time working.

### 1. MODIFICATIONS OF THE 1954 INTERNATIONAL NORM

The imperfections and shortcomings of the 1954 international norm currently in force with regard to the statistical classification of persons laid off argue in favour of its revision to take account of the different situations met in practice. Such revisions could include the following points :

a) The addition of a precise definition of a lay-off. This definition might read as follows : "Persons laid off are persons whose contract of employment has been suspended for a specified or unspecified period at the end of which the person concerned has a recognised right to recover his employment". (1)

b) The suppression of the explicit criterion of pay. This criterion, which is difficult to implement by means of surveys, has also lost its discriminatory power, since nowadays the majority of lay-offs as defined above have the right to partial maintenance of their pay.

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1. The slightly broader definition adopted by the Working Party is to be found in Annex A.

c) The addition of a criterion which would make it possible to put situations involving a suspension of the contract of employment into two categories ; those where a strong link remains between the person laid off and the employer, and those where this link has become too tenuous to be taken into consideration.
In the first case, the person laid off may be considered to have a job from which he or she is temporarily absent - in the same way as an employee prevented from working because of bad weather or technical reasons. This situation, as we have seen, may be regarded as similar to that of a person whose weekly hours of work are reduced because of short-time working. In the second case, the legal relationship between the person laid off and his employer no longer exists : the employee no longer has his job, just like an employee who has been explicitly dismissed.

d) The maintenance of the criterion of looking for work.

The labour force status of persons in the second category in the preceding paragraph must clearly be evaluated in terms of the presence or absence of job search activity, during a period to be specified. If the person concerned is looking for work he or she should be counted as unemployed. If not, it is legitimate for the person to be classified as not in the labour force.

The criterion distinguishing between the different cases of suspension of the work contract, in terms of the strength of the link remaining between the lay-off and his employer, should be sufficiently simple to be put into practice in labour force surveys. With this in mind two possible solutions may be put forward. The first solution is based on a criterion of continuous duration of lay-off without resumption of work (2). According to whether this duration were smaller or greater than a length of time to be specified, (possibly varying from country to country to take account of differences in employment legislation) the person laid off would be considered as being in employment or not being in employment.

If this solution were adopted, a judgement would need to be reached on the following point. With the aim of facilitating international comparisons, should the duration

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2. This duration should not be confused with the total period during which a person may be subject to laying off from time to time. Example : as a result of a reduction in activity, a firm's employees have to work alternate weeks for six months. The continuous duration of the lay-off in this instance is one week.

adopted be the same in every country and what time period should it be ? The periods which might be envisaged would seem to be of the order of one to three months.

Another criterion, perhaps preferable, might be that of the temporary or indefinite character of the lay-off. When a date of recall has been specified, one may consider that the person laid off has a job from which he is temporarily absent. In the opposite circumstances, we would have a person without a job, considered to be active or inactive according to whether or not he is looking for work.

These two criteria, the duration of the lay-off, and its temporary or indefinite character might possibly be combined.

Following these amendments, the classification of persons laid off in the different categories of employment and unemployment would become :

a) Persons laid off regarded as in a similar situation to persons on short-time working (continuous duration of lay-off less than a specified period/ specified date of recall) :

   In employment (3)

b) Persons laid off not regarded as in a similar situation to persons in partial unemployment (continuous duration of lay-off longer than a specified period/date of recall not specified) and not looking for work :

   Not in the labour force

c) Persons laid off not regarded as in a similar situation to persons in partial unemployment (continuous duration of lay-off longer than a specified period/date of recall not specified), looking for work and available for work :

   Unemployed.

In line with an approach frequently advocated for use in international definitions, the classification of persons laid off as defined above may be analysed in terms of "building-blocks". This analysis is shown, in a simplified way, by Figure 1 below (in this example the criterion chosen to determine the classification of lay-offs has been taken to be the specification of a date of recall to work).

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3. It should be noted that the Working Party was not able to agree to this classification in the case of persons considered to have a strong link with their previous employer but looking for work and available for work. See Annex I.

Figure 1

LABOUR FORCE STATUS OF PERSONS LAID OFF

| Persons laid off | Looking for work and available for work | Not looking for work or not available for work |
|---|---|---|
| Date of recall specified | E[1] | E |
| Date of recall not specified | U | N |

E : In employment.
U : Unemployed.
N : Not in the labour force.

1. The Working Party was not able to agree to this classification. See Annex A.

To facilitate international comparisons each country should ensure it is able to supply data to allow the distribution of persons laid off according to the four blocks shown in Figure 1. For this purpose some harmonisation of national labour force surveys would be necessary.

## 2. A MINIMAL HARMONISATION OF LABOUR FORCE SURVEYS

Total harmonisation of labour force surveys is inconceivable. It would not in any case be desirable owing to the wide diversity of regulations and practice concerning lay-offs and partial unemployment.

However, three points are worthy of study :

a) the utility of including special questions and coding allowing lay-offs to be measured on the lines of the practice in Canada and the United States, even in those countries where such a method of reducing the volume of work is little used.

b) The value, which appears to be considerable, of administering to the lay-offs the set of questions on job search for those countries where lay-offs are identified in the first stages of the survey

interview. This is done, for example, in the Canadian Labour Force Survey, but not in the U.S. Current Population Survey.

c) The value of introducing further questions into an existing household survey to cover the following situations. In the case where the criterion of the temporary or indefinite character of the lay-off is adopted for the statistical classification of lay-offs, it would then be necessary to introduce a question into labour force surveys on the date of recall to work. In the same way, a question bearing on the continuous duration of the lay-off would need to be asked if the criterion of duration were selected.

## 3. THE COLLECTION OF COMPLEMENTARY DATA ON LAY-OFFS AND SHORT-TIME WORKING

To compare the level and trend of the total volume of under-employment (comprising both total unemployment and partial unemployment) for those countries where lay-offs and short-time working are used to different extents in times of temporary reduction in economic activity, it is not sufficient to be able to identify lay-offs separately. It is still necessary to be able to measure the amount of lost working time represented by the number of lay-offs, in the same terms as the reduction in weekly working hours due to other forms of partial unemployment. The necessary information may be collected in terms of stocks or flows, using these data as complementary statistics.

In terms of stocks, the most useful source would appear to be labour force sample surveys. To fulfil this function, these surveys must allow the evaluation of the number of hours of work lost during the reference week corresponding to people laid off on the one hand and the reduction in weekly working hours due to short-time working on the other.

In terms of flows, administrative sources would seem to be able to provide the necessary information ; the number of days compensated as lay-offs on the one hand and the number of hours compensated as partial unemployment on the other, during a month, a quarter or a year.

By this means, it would seem to be possible to ensure greater homogeneity and enhanced comparability in international unemployment statistics.

Annex A

CONCLUSIONS REACHED BY THE WORKING PARTY
ON EMPLOYMENT AND UNEMPLOYMENT STATISTICS
AT ITS MEETING OF 9-11 JUNE 1981,
RELATING TO LAY-OFFS AND SHORT-TIME WORKING

The Working Party CONSIDERING that :

i) in times of economic downturn, firms in different countries have recourse to lay-offs or to reductions in daily or weekly hours of work, influenced by the different unemployment compensation systems in force ;

ii) for purposes of international comparisons of employment and unemployment the appropriate classification both of persons laid off and of persons affected by reductions in daily or weekly hours (1) is extremely important given the large number of people who may be affected ;

iii) the report prepared by Bernard Grais of INSEE acting as consultant to the Secretariat, provides an excellent basis for the reconsideration of the international norms (2) ;

iv) for persons affected by reductions in daily or weekly hours of work, inclusion in the existing international definition as "in employment" appears appropriate ; for persons laid off the existing international definitions are in need of revision to facilitate international comparisons between the various Member countries of the OECD ;

v) the building block approach developed by the ILO affords a useful method of avoiding the difficulty caused by the possibly different definitions required for national and international use ;

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1. For example persons "en chômage partiel" in France and subject to the regime of "Kurzarbeit" in Germany.

2. Those contained in a Resolution of the Eighth International Conference of Labour Statisticians convened by the ILO in Geneva, 1954.

AGREES as follows :

i) persons laid off should be defined as follows : persons laid off are persons whose contract of employment, or activity, has been suspended by the employer for a specified or unspecified period at the end of which the person concerned has a recognised right or recognised expectation to recover employment with that employer ;

ii) it is necessary to divide lay-offs into at least the four building blocks defined by using the two following criteria in combination

A. the existence or otherwise of job-search activity and availability for employment

B. the strength of the continuing employment relationship between the employee and the employer for whom he was working, whether strong or weak ;

iii) criterion A refers to the standard criteria embodied in the current international definition of unemployment ;

iv) criterion B is to be determined in the light of national circumstances, based on one or more of the following points ;

B.1 the elapsed length of the lay-off ;

B.2 the existence or otherwise of a specified date of recall, or an assurance of return to work following the ending of a specified contingency ; and

B.3 the maintenance or otherwise of the wage or salary payment to the employee ;

v) Member countries should take steps to compile the relevant data where possible, namely ;

a) data on reductions in working time, especially for those countries where firms have recourse to systems of short-time working ; and

b) any other data necessary to allow the selected criteria relating to lay-offs to be applied ;

vi) for purposes of improving international comparisons three of the four sub-divisions of lay-offs defined by the criteria above should be allocated to the categories of employment, unemployment and not in the labour force as follows :

a) job search criteria satisfied, weak link with employer : unemployed,

b) job search criteria not satisfied, weak link with employer : out of the labour force,

c) job search criteria not satisfied, strong link with employer : employed (3) ;

vii) for purposes of improving international comparisons of employment it is not totally clear how the fourth category :

d) job search criteria satisfied, strong link with employer,

should be allocated. However, the Working Party recognises the force of the arguments advanced by M. Grais, to the effect that the most appropriate classification for international comparison purposes in the framework of the existing definitions is persons in employment.

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3. In any future overall revision of the international definitions, the requirement of consistency of this classification with that of persons waiting to start work should be given due weight.

Annex B

EXTRACT FROM THE RESOLUTION CONCERNING STATISTICS OF THE LABOUR FORCE, EMPLOYMENT AND UNEMPLOYMENT, ADOPTED BY THE EIGHTH INTERNATIONAL CONFERENCE OF LABOUR STATISTICIANS

(Geneva, November-December 1954)

DEFINITION OF EMPLOYMENT

1. Persons in employment consist of all persons above a specified age in the following categories :

a) at work : persons who performed some work for pay or profit during a specified brief period, either one week or one day ;

b) with a job but not at work ; persons who, having already worked in their present job, were temporarily absent during the specified period because of illness or injury, industrial dispute, vacation or other leave of absence, absence without leave, or temporary disorganisation of work due to such reasons as bad weather or mechanical breakdown.

2. Employers and workers on own account should be included among the employed and may be classified as "at work" or "not at work" on the same basis as other employed persons.

3. Unpaid family workers currently assisting in the operation of a business or farm are considered as employed if they worked for at least one-third of the normal working time during the specified period.

4. The following categories of persons are not considered as employed :

a) workers who during the specified period were on temporary or indefinite lay-off without pay ;

b) persons without jobs or businesses or farms who had arranged to start a new job or business or farm at a date subsequent to the period of reference ;

c) unpaid members of the family who worked for less than one-third of the normal working time during the specified period in a family business or farm.

## DEFINITION OF UNEMPLOYMENT

1. Persons in unemployment consist of all persons above a specified age who, on the specified day or for a specified week, were in the following categories :

a) Workers available for employment whose contract of employment had been terminated or temporarily suspended and who were without a job and seeking work for pay or profit ;

b) persons who were available for work (except for minor illness) during the specified period and were seeking work for pay or profit, who were never previously employed or whose most recent status was other than that of employee (i.e. former employers, etc.) or who had been in retirement ;

c) persons without a job and currently available for work who had made arrangements to start a new job at a date subsequent to the specified period ;

d) persons on temporary or indefinite lay-off without pay.

2. The following categories of persons are not considered to be unemployed :

a) persons intending to establish their own business or farm, but who had not yet arranged to do so, who were not seeking work for pay or profit ;

b) former unpaid family workers not at work and not seeking work for pay or profit.

Part Two

## COUNTRY CHAPTERS :
## THE INSTITUTIONAL AND CONCEPTUAL CONTEXT IN ELEVEN OECD COUNTRIES

I. BELGIUM

II. CANADA

III. DENMARK

IV. FRANCE

V. GERMANY

VI. IRELAND

VII. ITALY

VIII. LUXEMBOURG

IX. THE NETHERLANDS

X. THE UNITED KINGDOM

XI. THE UNITED STATES

# I

## BELGIUM

### I. THE INSTITUTIONAL FRAMEWORK

Compensation for partial unemployment, which was introduced in 1954, is paid through the same agencies as for total unemployment. It is generally possible only for manual workers and the reduction in working time must be at least by half-days. In addition, a provision in the legislation on compensation for total unemployment allows compensation on rather restrictive terms for "short-time work accepted in order to avoid unemployment", but nevertheless does not extend compensation for partial unemployment to white-collars workers.

#### 1. Compensation for the wholly unemployed

The Belgian unemployment insurance scheme covers all employees apart from domestic servants and special status personnel (governmental and paragovernmental employees). As in many other countries, young people looking for their first job are entitled to benefit provided they have completed certain types of studies (1).

The essential characteristic of the Belgian system of compensation for the wholly unemployed is that the duration of compensation is not limited, as is the case in the other countries studied. On the other hand, the amount of benefit is degressive except in the case of heads of household and beneficiaries are subjected to very severe and obligatory controls.

##### Conditions of entitlement

Two types of conditions must be met in order to qualify for benefit : qualifying requirements and eligibility requirements.

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1. Technical or vocational lower secondary studies (4 years beyond the 6-year primary study cycle) recognised by the ONEM Management Committee or lower secondary studies (6 years beyond the 6-year primary study cycle).

a) Qualifying requirements

To qualify for benefit, the claimant must prove that he has been in gainful employment giving rise to payment of Social Security employment and unemployment contributions for a period depending on his age and ranging from 75 days during the ten-month period preceding the claim for persons under 18, to 600 days during the three years preceding the claim for workers over 50.

To give entitlement to benefit, the job must have been paid at at least the minimum wage fixed by the joint agreements or by custom.

b) Eligibility requirements

In order to be eligible for benefit, a worker must :

i) be involuntarity unemployed, i.e. :

- have lost a full-time job (2) provided such loss was not due to dismissal for a legitimate reason or giving up a suitable job ;

- be available for the employment market. The worker must be registered with the ONEM placement service and be ready at any time to accept the offer of a suitable job or a course of vocational training.

ii) be without pay :

Benefit may not be paid, for example, for the period covered by payment of compensation for notice, redundancy allowance, holiday gratuity, etc.

Moreover, the unemployed worker is forbidden to undertake any paid work, whether for own account or for a third party, apart from a secondary activity before 7 a.m. or after 6 p.m. This activity must be declared when the claim for benefit is made ;

iii) be fit for work.

Thus, the worker loses his entitlement to compensation for periods during which he receives sickness-invalidity insurance benefits ;

iv) be under 65 in the case of men, under 60 for women and be not entitled to a full pension.

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2. Since 1964, voluntary part-time workers (working at least 4 hours a day and 20 hours a week) have also been entitled to compensation on becoming unemployed : they receive half the benefit for each half-day usually worked.

Duration and amount of benefit

If the applicant fulfils these requirements, unemployment benefit may in principle be drawn for an unlimited period. It is paid from the first observed day of unemployment, with no waiting period. But the amount is degressive according to the compensation period already elapsed and the existence of other earnings in the household. Three categories of applicant are distinguished in this respect :

- "cohabiting workers" who belong to a household at least one of whose members, for example the spouse, works or has his or her own resources ;

- "workers-heads of household" (with dependants). From the point of view of unemployment compensation, this category includes only heads of households whose other members have no occupation or resources. (3)

- "individual workers".

During the first two years of unemployment, benefit is a proportion of the previous wage : as from the third year, a flat rate is paid to claimants who are not considered to be heads of household.

During the first year, the rate of benefit is the same for everyone. The amount of daily benefit is equivalent to 60 per cent of the previous gross average daily earnings.

During the second year and in subsequent years, unemployed "heads of household" continue to receive benefit at the rate of 60 per cent. But the rate for other categories of unemployed falls to 40 per cent of their previous wage, up to a certain ceiling.

As from the third year - extended by 78 days for every 312 days worked, that is, by 3 months for every year of work - the amount of daily benefit becomes a flat rate for individual and cohabiting workers. It amounts to 50 per cent of the minimum wage for the former (B.Frs. 502 at 1st April 1981) and 40 per cent for the latter (B.Frs. 402).

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3. The following are not considered as constituting 'resources' in this sense :
- family allowances
- allowances bestowed either under the social security legislation (with the exception of allowances bestowed under unemployment insurance and sickness/invalidity benefit) or war victims and which do not exceed 4,761 BF.

When a husband and wife in the same household are unemployed neither is classed as "worker-head of household".

This reduction in benefit does not apply to unemployed workers who can prove 20 years' paid employment or permanent handicap of over one third.

In order to relax the strict rule of proportionality in the case of smaller incomes, the proportional benefits paid during the first two years may not be less than certain minima : at 1st April 1981, B.Frs. 703 per day for a "head of household" (4) and B.Frs. 509 for an individual or cohabiting worker over 20 years old. This benefit may also not be above a maximum (B.Frs. 1 445 per day at 1st April 1981). (N.B. There is a higher ceiling for contributions.)

Control and exclusions

To offset the fact that compensation can be paid for an unlimited period, the workers concerned are subjected to very severe obligatory controls and may in certain cases be temporarily or permanently excluded from benefit.

As in most of the other countries, control mainly consists of signing on. But in Belgium this is daily and the time at which the person must appear is changed every day and only notified on the previous day. The control takes place at the administrative centre of the place of residence.

There are a number of penalties temporarily or permanently excluding from entitlement to benefit people who do not make every reasonable effort to find another job. This applies to anyone who refuses a suitable job or makes general reservations concerning the job he is prepared to accept. Entitlement may also be restricted if the unemployment is considered to be of abnormal duration.

Early retirement

Since 1975 (Collective Agreement of 19 December 1974 concluded in the Conseil national du travail), dismissed workers who are aged 60 or over on the date when the work contract was broken may, provided they are entitled to unemployment benefit, be paid a "pre-pension" allowance until normal retirement age, which in Belgium is 65 for men and 60 for women. Women are therefore in principle excluded from the benefit of this scheme. Special exemptions to the age condition apply in specific sectors. The amount of this allowance is equivalent to roughly 80 per cent of the last net wage, up to a ceiling.

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4. Since 1st April 1981, this minimum is equivalent to 1/25th of 70 per cent (instead of 60 per cent) of the average minimum monthly income.

A similar arrangement was extended by the Acts of 30 March 1976 and of 22 December 1977 for workers voluntarily retiring after 60 in the case of men and 55 for women. The amount of the allowance for "voluntary" early retirement is the same as in the case of "dismissal", but the supplementary benefit is paid by the State. In return, the employer is obliged to replace the worker in question by taking on a younger worker under 30 years old and to keep him in employment for at least six months.

Lastly, unemployed workers in receipt of benefit for over a year who are at least 60 in the case of men and 55 for women may apply for an early pension, which is paid by the Office National des Pensions.

2. Compensation for partial unemployment

Compensation for partial unemployment is at present organised under the Act of 3 July 1978 on work contracts. It is generally possible only for manual workers and the reduction in working time must be at least by complete half-days.

Compensation for partial unemployment is governed by the Royal Decree of 20 December 1963 covering employment and unemployment. This decree provides for suspension of the work contract when there is a shortage of work resulting from economic reasons.

Suspension of the work contract (Act of 3 July 1978)

Should a firm be short of work for economic reasons, the employer may either suspend his manual workers' work contracts completely or put them on short-time working for a more or less lengthy period, their loss of earnings being covered by unemployment insurance.

The conditions for applying this legislation are very broad since the law does not define the concept of "economic reasons". In principle, this motive cannot be invoked when shortage of work is due to the firm's inefficient organisation or the employer's bad management. In practice, no controls are carried out. The employer is merely obliged to inform the workers concerned and the ONEM regional office seven days in advance of his decision to suspend work contracts or to introduce short-time working.

In the event of total suspension of work contracts, in other words a lay-off of the workers concerned for the time stated, the maximum authorised period of suspension is four weeks, which must necessarily be followed by one week's full-time work.

Where short-time working comprises less than three days of work per week or less than one week of work in every two, the maximum period of shorter hours authorised is three months, after which full-time work must be resumed for one week (5) ; if the arrangement comprises at least three days of work per week or one week of work in every two, its duration is not limited.

Unemployment Compensation (Royal Decree of 20/12/63)

To give entitlement to compensation, working hours must be reduced by complete half-days. Thus, only days of total unemployment are compensated and half-days are added together to make whole days of unemployment.

The rate of compensation is 60 per cent of the gross ceiling wage, which is the same as for total unemployment during the first year. This rate is not reduced should partial unemployment continue.

The partially unemployed are exempt from registering as job-seekers with the ONEM for the first four weeks of unemployment when the work contract is completely suspended and throughout the period of partial unemployment when the employer introduces a system comprising periods of non-activity not exceeding four weeks. They are in addition exempt from the daily check-in. The employer gives the workers concerned a certificate of unemployment, attests that unemployment occurred, at the end of the period, and keeps a record card.

Similar terms to compensation for partial unemployment for economic reasons exist with respect to compensation for reasons of force majeure, "technical incidents" and "bad weather". In the case of technical incidents, the worker also retains his entitlement to normal pay from the employer for a period of seven days. Compensation under the unemployment insurance scheme begins only at the end of this period.

Compensation for short-time work accepted in order to avoid unemployment

The legislation on compensation for total unemployment allows benefits to be paid to unemployed workers, for usual working days, when they accept short-time work in order to stop being unemployed. By contrast to the preceding

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5. Derogations may be allowed by Royal Decree, on the opinion of the relevant joint commission or the Conseil national du Travail.

arrangement (6), this applies to white-collar as well as to blue-collar workers.

In order to be entitled to compensation, the worker must :

- be wholly unemployed when he accepted the short-time job ;
- stay registered as a job-seeker and be prepared to accept full-time work.

Furthermore, weekly earnings from short-time jobs must be "less than six times the daily reference wage" (or approximately B.Frs. 21 300 per month in Spring 1981 for skilled work). The hours worked each week may not exceed 32.

If these conditions are met, the worker is compensated for working days not worked (during which he or she did no work at all and for which he received no pay). The rate of compensation is the same as for total unemployment.

This arrangement was designed to induce the people concerned to accept a part-time job rather than remain unemployed but it is not very suitable for compensation for partial unemployment proper : the worker would have to sign a new part-time work contract with his old employer. Consequently, in Belgium compensation for partial unemployment is possible only for manual workers (7).

## II. STATISTICAL ASPECTS

In Belgium, as in most of the other countries, there are two sources of statistics on total or partial unemployment : first, the monthly administrative data prepared by the ONEM and, secondly, the household survey of the labour force carried out every two years by the Institut National de Statistique in the EEC context.

### 1. ONEM statistics

The official national unemployment statistics consist of the series of wholly unemployed in receipt of benefit drawn up every month by the ONEM. "Wholly unemployed" is defined by the breaking of the work contract as opposed to partial unemployment, where the work contract is only

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6. and 7. It should be noted, however, that when the contract is suspended for reasons of force majeure, partial unemployment becomes possible for both white- and blue-collar workers.

suspended. By definition, this series does not include lay-offs, i.e. workers whose work contract has been suspended and not broken. Nor do they include persons receiving early retirement benefits.

ONEM also publishes statistics of job-seekers registered with its services, showing, in addition to wholly unemployed in receipt of benefit, other compulsory registered job-seekers (including young people who have completed the studies entitling them to unemployment insurance and are in the waiting period - 150 days) and persons without a job registering voluntarily. It is the total of these three series of statistics, which may be called registered unemployment, which is passed on to the International Labour Office (ILO) and the Statistical Office of the European Communities (SOEC) as corresponding to the international definition of unemployment (8). Workers laid off are included after four consecutive weeks' suspension of the work contract, although it is not possible to distinguish them from the rest.

Statistics on partial unemployment are also prepared by the ONEM. The basic data are obtained from the statistical returns of partially unemployed workers and relevant days not worked, which employers must send to the regional offices every month (9). The number of partially unemployed is expressed as a daily average obtained by dividing the number of compensated days of partial unemployment by the number of working days. These figures make no distinction between workers laid off throughout the entire period of suspension of the work contract or for whole weeks and those whose working hours are reduced (by half-days at least) during the week. They cannot be combined with the total unemployment statistics sent to the ILO and the SOEC : both series include double counts since workers laid off after four consecutive weeks' suspension of the work contract are obliged to register with the ONEM and are therefore also counted in total registered unemployment (10).

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8. Other compulsorily registered job-seekers include workers who have accepted short-time jobs in order to avoid unemployment and whose classification as wholly unemployed may be disputed.

9. This procedure was introduced in December 1979 after the general obligation to check in was abolished for the partially unemployed.

10. The problem of double counting certainly exists but it must be emphasized how difficult it is to estimate its exact importance, especially since the regulation limiting the exemption for registration to the first four weeks of partial unemployment is not applied systematically. (There are many cases of exemption for the whole period of partial unemployment - see, in this regard, article 131 of the Royal Decree of 20 December 1963).

It is generally considered that the statistics of partial unemployment are underestimated as some employers fail to make statistical returns, especially in the event of partial unemployment due to bad weather, for which no prior declaration need be made to the ONEM office.

## 2. Sample survey of the labour force

Belgium takes part regularly in the Labour Force Survey organised by the Statistical Office of the European Communities. The first was held in 1968 and since 1971 it has taken place regularly every two years. It is carried out by the Institut National de Statistique on a sample of 52 000 households taken from the population registers.

The Labour Force Survey complies with EEC instructions in classifying as unemployed people who give the following answers simultaneously :

i) to a question concerning their work status, that they are "unemployed having lost their job" or "unemployed and looking for their first job" ;
ii) to a subsequent set of questions, that they are looking for paid employment (even if they have not yet started to look) or have found a job which begins later.

The instruction to interviewers states that they must include among persons looking for their first job those who do so after a voluntary break of at least one year in their working lives, especially women who want to go back to work after having brought up their children.

On the other hand, people who at the start of the interview spontaneously put themselves in a non-active category (people looking after their own household, students, pupils, retired persons or other pensioners formerly in the labour force) are not included in the unemployment figure, even if they state later in the interview that they are looking for paid employment.

According to these rules, people who have worked short hours during the reference week are classified as having a job. They can be identified by a set of questions :

- A question concerning the number of hours really worked in their main occupation during the reference week.
- A question to determine whether the number of hours worked corresponds to "normal" weekly working hours.
- In the event of a discrepancy, a question concerning the reasons for the difference. One of the answers suggested :

- "Shorter working hours for technical, climatic or economic reasons (including bad weather)" is equivalent to partial unemployment.

There is an uncertainty concerning the classification of people laid off for the entire reference week. In view of their legal situation, where their work contract has been only suspended and not broken, the survey authorities consider that they will answer the question about their work status by saying that they have a job. In that case, they will be classified as employed. If, on the other hand, they state that they are "unemployed having lost their job", they would be counted as unemployed (on condition that they are looking for work). Owing to the compensation procedure, which requires them to register with the ONEM and to accept any suitable job that they are offered, this latter type of answer is possible, if not probable, for people whose work contract has been suspended for a continuous period of more than four weeks.

# II

## CANADA

### I. THE INSTITUTIONAL FRAMEWORK

Unlike the United States, where each state has been free to develop its own unemployment insurance (UI) scheme, Canada has one single federal system, embodied in the Unemployment Insurance Acts first legislated in 1940. This system covers almost all employed persons against the risk of total unemployment. Employees who have been laid off are entitled to benefits provided they meet the general requirements. These requirements considerably restrict the right to treat lay-off as a form of "partial unemployment" (alternation of days in work and days out of work). Reduced daily working hours do not give the right to compensation.

Between September 1977 and the end of 1979 a limited experiment in "work sharing" was carried out, as permitted by the Unemployment Insurance Act. The results have been assessed and, overall, work sharing was found to be considerably more costly than conventional UI.

#### 1. Total unemployment compensation

##### a) The federal unemployment insurance system

The unemployment insurance system set up by the Unemployment Insurance Act of 1971 is a very wide one. It covers all employed persons, including civil servants and members of the armed forces. The only people excluded are those over 65 years of age and those who do only part-time work (1).

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1. The programme coverage insures the employment of virtually all paid workers in the labour force. These workers are referred to as being in insurable employment. The main exclusions from coverage are those 65 years of age and over, the self-employed (except fishermen who are covered by special arrangement) and those who work less

(continued on next page)

Conditions of entitlement

An employed person has to meet two kinds of conditions to qualify for the unemployment allowance : qualifying requirements and eligibility requirements.

i) Qualifying requirements

To qualify for benefits, the claimant must prove that he or she has held insurable employment for a sufficient length of time, i.e. from 10 to 20 weeks depending on the case. This length of time is estimated according to a reference period and depends on the unemployment rate in the region where the claimant lives.

The reference period is the 52 weeks immediately preceding the claim, or, if it is shorter, the period which has elapsed since payment of an unemployment insurance allowance.

Claimants who had less than a combined total of 14 weeks of insurable employment, UI benefit or other weeks prescribed by regulation in the 52-week period preceding the qualifying period are classed as new entrants or re-entrants to the labour force. They are required to have 20 weeks of insurable employment in the qualifying period.

The qualifying period of up to 52 weeks may be extended to a maximum of 104 weeks if the claimant was prevented from working because of sickness, pregnancy, incarceration, attendance at an approved training course or receipt of worker's compensation for temporary total disability.

If the claimant has received benefits during the previous 52 weeks, he or she does not have the right to receive benefits again before having worked up to 6 weeks over and above the 10 to 14 weeks required according to the number of weekly allowances received and the unemployment rate in the region concerned. This ruling does not apply, however, to regions where the unemployment rate is over 11.5 per cent.

ii) Eligibility requirements

To qualify for benefit :

- claimants have to have suffered an interruption of

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(Note 1 continued)
than 15 hours per week and earn less than 20 per cent of the maximum weekly insurable earnings ($ 63 in 1981). The current estimates are that approximately 97 per cent of paid workers are insured under the programme.

earnings from employment and accumulated a specified number of weeks of insurable employment. The resulting stoppage of pay must have lasted at least seven days ;
- be looking for work, and in particular have registered with the Employment Section of the Canada Employment and Immigration Commission ;
- be available for work ;
- be fit for work.

The amount and duration of the benefits

Benefits can only be paid after a waiting period of two weeks. They amount to 60 per cent of the average insurable earnings during the reference period, with a maximum which in 1981 amounted to $ 189 (2).

The waiting period is applicable only once for a given entitlement. When benefits are resumed after an interruption (the person concerned having, for example, found work again for a short period), they will be paid from the first day. These provisions have the following consequence. After the sanction of the initial waiting period and once an interruption in pay of seven days has elapsed (as is necessary for entitlements to benefits), periods of partial unemployment may be compensated when they are in the form of days not worked followed by days worked. However, as will be seen below, as a result of the reduction in the amount of weekly unemployment payments caused by engaging in remunerated work during a given week (when the income exceeds a certain amount), the possibilities for receiving compensation are severely limited. As a result compensation for days worked followed by days not worked can take place only rarely except when the days not worked are grouped together into entire weeks.

The maximum period during which benefits can be drawn is 52 weeks, from which the two-week waiting period has to be deducted. There are three stages in the benefit period :

- In the initial benefit phase, the recipient has the right to one week's allowance for each week of insurable employment up to a maximum of 25 weeks.
- The labour force extended phase begins immediately after the initial benefits have been used up. It applies to recipients who have had 27 or more weeks of insurable employment during the reference period.

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2. A ceiling for the insurable weekly earnings is fixed each year. To obtain this, the 1972 figure, or $ 150, is multiplied by the annual wage-earnings index. In 1981, the ceiling was $ 315 per week.

During this phase they receive one week's extended benefits for every two weeks' insurable employment up to a maximum of 13 weeks.

- A recipient who has exhausted his/her rights to benefits in the two first phases can draw supplementary benefits in a regional extended phase if the unemployment rate for the region in which the claimant lives is over 4 per cent. The number of weeks of supplementary benefits in this phase varies according to the unemployment rate. It is two weeks for a rate between 4.1 and 4.5 per cent, and rises by two weeks for each additional 0.5 per cent increase in the unemployment rate to a maximum of 32 weeks for a rate of over 11.5 per cent.

b) Supplemental unemployment insurance schemes

A limited number of collective agreements provide for the setting up of supplemental unemployment insurance funds to which both employers and workers contribute. There are some 2 000 funds of this kind covering about one million employees, or only 10 per cent of the people covered by unemployment insurance. These funds are concentrated mainly in Quebec, in the civil service and the semi-public sector, and in Ontario, in the motor industry. In cases of temporary lay-off or pregnancy (sometimes combined and/or including illness), those concerned can obtain unemployment insurance benefits as well as allowances from the fund they have joined for a period proportional to the time they receive UI benefits. Receipt of this allowance generally raises the unemployment compensation up to a maximum of 95 per cent of the normal weekly earnings (including regularly scheduled overtime, shift differential and incentive pays, etc.).

2. Compensation for partial unemployment

At present in Canada as in the United States there are no special provisions for compensation for partial unemployment. Partial unemployment is compensated only to the extent that it comes under the provisions for the compensation of total unemployment. Compensation is possible in theory in the form of days not worked followed by days of work within any week. But, in practice, because of the way in which unemployment benefits are calculated in the event that remunerated work is done during the week during which unemployment benefits are drawn, it is rare for this arrangement to occur except for whole weeks.

Indeed, while the current provisions do not prevent persons affected from carrying out some quantities of paid work during a week when unemployment benefits are drawn, in these cases the earnings received over and above a quarter of the amount of weekly benefits are deducted from

the payments made to the beneficiary. This form of calculation of the amount of benefits makes it very difficult for partial unemployment to be compensated. As a result the person concerned has no interest in carrying out, during the week in which employment benefits are drawn, an amount of work which is greater than that amount which would give him a salary equal to a quarter of the weekly unemployment benefits. This level of work corresponds to roughly 15 per cent (3) of the length of work done previously, that is six hours for a forty-hour week. The formula for the calculation of the reduction in benefits clearly has the aim of severely limiting any incentive to work during any compensated week (4). In practice, the formula tends to restrict the possibilities for compensation for partial unemployment to the case where whole weeks without work alternate with whole weeks worked.

Compensation for partial unemployment is, however, a topical question. One of the provisions of the 1971 Act (Section 37) authorised the Canada Employment and Immigration Commission to draw up regulations allowing this type of compensation within the framework of work-sharing agreements. In application of this provision, a limited experiment was organised between September 1977 and the end of 1979. Because of the conditions laid down for the signing of agreements - the type of reduction in the volume of work specified was to be temporary but not seasonal - the firm would not be inclined to make a habit of irregularly varying the hours of work or the numbers employed. Fifty-two firms applied and of these 24 were eventually chosen and 19 were evaluated. The agreements covered a period of 26 weeks, which could be prolonged under certain conditions.

The experimental procedure was neutral as regards the choice which could be made between a reduction of daily working hours and the lay-off of workers for whole days (e.g. one day a week). In both cases, compensation for hours of work lost was provided at a rate of 60 per cent of the reference wage, without any waiting period and without reducing the regular UI entitlement of the participant.

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3. The amount of weekly benefits is 60 per cent of the claimant's insurable earnings. The person concerned therefore has no interest in doing work that will bring in more than 15 per cent (0.25 x 0.60 = 0.15) of his/her previous insurable earnings. For claimants who earned more than the maximum insurable earnings, the 15 per cent would remain constant, but would fall as a proportion of his/her actual earnings.

4. For more detailed discussion of the effect of calculating the reduction of benefits in this way, see the Country chapter devoted to the United States.

The possibility of resorting to compensation for partial unemployment, under "work-sharing" agreements, rather than simply using lay-offs, was seen to be advantageous both for the firms and for the workers. By removing the need for issuing an end-of-employment notice, it enabled the firms to keep on their experienced workforce and avoid the costs entailed by a lay-off followed by the recall of workers or the engagement of new ones. For their part, the employees kept their employment. They received their normal remuneration for the time they worked, and from the first hour lost they drew the proportion of the unemployment insurance benefits corresponding to the reduction in working hours compared with the normal time schedule. The overall objective was to eliminate the need for an immediate lay-off of all or a number of a firm's employees.

The design of the programme and the goals assigned to it show that the dividing line between employment and unemployment does not lie between reduced daily working hours and lay-offs for whole days, but between situations where the employment contract is maintained (reduction of daily working hours or lay-offs under a work-sharing agreement) and situations where the work contract is terminated (ordinary lay-offs or dismissals). Furthermore, whatever the form taken by the reduction in working hours, recipients of benefits under this programme were not included in the official unemployment statistics.

The objective of the work-sharing programme was achieved in the majority of agreements. Some 3 200 people received benefits under the 24 agreements funded. The 19 agreements which were evaluated paid benefits to 2 561 workers and the lay-off of 487 workers was avoided. However, the cost was found to be too high, since it was, on average 2.4 times that of regular unemployment insurance.

## II. THE STATISTICAL ASPECTS

In Canada, as in most countries, there are two sources of statistics on unemployment : the administrative data of the Canada Employment and Immigration Commission, and Labour Force Surveys carried out by Statistics Canada, which are based on sample households. These two sets of statistics are monthly. The data from the Labour Force Surveys constitute the official statistics.

### 1. The statistics of the Canada Employment and Immigration Commission

The Canada Employment and Immigration Commission compiles two kinds of statistics. One set concerns job seekers registered with the local manpower centres, the other concerns recipients of unemployment insurance benefits.

The statistics covering unemployed people registered with some 450 local manpower centres that come under the Canada Employment and Immigration Commission distinguish between job seekers who are looking for full-time work and those looking for part-time work. Laid-off workers seeking another job through these centres are included in the statistics but cannot be taken separately. These statistics are not considered to be the official measure of unemployment.

The administrative files which are kept up to date for the purpose of applying the Unemployment Insurance Act contain data on persons receiving benefits which enable those receiving an allowance following a lay-off to be identified. However, the current statistics of persons drawing unemployment insurance benefits, which are issued successively by Statistics Canada in a monthly and a quarterly publication (5), do not make this distinction. Nevertheless, they show the number of claimants who have received reduced benefits because they have done some hours of paid work in the relevant week. As has been shown, this work probably consists of odd jobs, or part-time work, with no relation to the previous employment.

2. The Labour Force Survey

The Labour Force Survey is undertaken each month by Statistics Canada on the basis of a sample of some 55 000 households. The questionnaire and the concepts used are very similar to those of the corresponding United States survey (the Current Population Survey). All persons fulfilling the following conditions are classed as unemployed :

i) They have not worked during the reference week even for one hour, and do not have a job from which they were absent because of sickness or disablement, personal or family reasons, bad weather, industrial conflict or leave of absence.

ii) They have, during the four weeks ending with the reference week, actively sought work (through a public or private employment agency, a trade union, direct application to employers, personal relations, advertisements, etc.).

iii) They were, during the week preceding the survey, available to take a job if one had been found.

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5. Rapid monthly publication (Preliminary Unemployment Insurance Statistics, Statistics Canada, Catalogue No. 73-001P), followed by a detailed quarterly publication (Statistical Report on the Operation of the Unemployment Insurance Act, Statistics Canada, Catalogue No. 73-001).

Those who could not have accepted a job because of sickness or personal or family obligations are considered to be available. However, those registered as full-time students, who seek full-time jobs are excluded from the unemployed.

Two classes of people are treated as being unemployed, without having to make an active search for work : those who have found a job which they are about to take up (during the four weeks ahead) and those temporarily laid off, provided this is for less than 27 weeks.

According to these regulations, people laid off who have done at least one hour's work during the reference week are classed as having a job. They can be identified by the answer "laid off, expects to return" to the question concerning the reason for losing a certain number of hours of work during the reference week.

On the other hand, the current wording of replies provided for this question, which includes "working short time (because of material shortages, plant maintenance or repair, etc.)" does not ensure clear identification of people who, while not laid off, have had their working hours reduced during the reference week because of partial unemployment (e.g. under work-sharing agreements).

People stating they have not worked at all during the reference week because of a temporary lay-off are - provided they are available for work - classed as being unemployed as long as the lay-off has not lasted for more than 26 weeks. After that, they fall back into the ordinary category and, to be considered as unemployed, have to have looked actively for work during the four weeks ending with the survey's reference week.

People who have been laid off are identified by two questions. One concerns the existence of a job from which the person in question had been absent during the reference week :

No. 30 : "Last week, did ... have a job or business at which he/she did not work ? :
... Yes"
A second question determines the reason for this absence.
No. 33 : "Why was ... absent from work last week ?
... Lay-off (expects to return)
(paid workers only.")

By means of these two questions, the Canadian survey questionnaire is designed to identify and enumerate precisely how many people had been laid off for the whole of the reference week. It is similar to the American questionnaire, but from this particular standpoint it is worded less precisely. It is possible for a person who has been

laid off, whose links with his former firm are very loose or even non-existent, to consider himself or herself as being without a job and to reply "No" to question 30. According to whether the person states in the rest of the interview that he or she is not actively looking for work, the person will be classed as being unemployed or not in the labour force. In neither case will it be known that he or she has been laid off.

On the other hand, and contrary to the American survey, the Canadian questionnaire does show whether people stating they were laid off have actively looked for work. In July 1980, this was true for 29 per cent of them. This percentage increases with the duration of the lay-off, but it is not possible to make any exact calculation in this respect, because of sampling variations in the survey results (6).

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6. In 1979, the proportion of people laid off who stated they were actively seeking work averaged 20 per cent. The figure was 15 per cent for a lay-off lasting four weeks or less, and 29 per cent for a longer duration.

# III

## DENMARK

### I. THE INSTITUTIONAL FRAMEWORK

In Denmark, unemployment compensation is based on the principle of voluntary insurance organised through unemployment insurance funds administered by the workers' unions. Under the supervision of the "Arbejdsdirektoratet", (one of the three directorates in the Ministry of Labour), these organisations collect their members' contributions and pay them the benefits to which they are entitled in the event of unemployment. People who are not members of an unemployment insurance fund or who have exhausted their entitlement to compensation may, subject to certain very general conditions, be eligible for social assistance benefits paid by the communes.

The insurance scheme, which plays the most important role (1), has the essential characteristic of applying identical rules to compensation for both total and partial unemployment. The number of hours of unemployment giving entitlement to compensation is determined from the number of hours worked compared with the number of weekly hours (usually 40) for which the worker is insured. The ways of reducing the volume of work - shorter daily or weekly working hours, lay-off for a specific period or dismissal - are not taken into account when fixing the terms or rate of compensation. This is therefore an ideally neutral system which in no way influences the choice made between the different methods of reducing the amount of work.

#### 1. The unemployment insurance scheme

An outline law, the "Act on the Employment Service and Unemployment Insurance", lays down the general provisions of unemployment insurance. This is based on the

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1. In February 1981, unemployed in receipt of social assistance accounted for only 9.3 per cent of all unemployed in receipt of benefit.

principle of voluntary participation : every worker is invited, if he wishes, to become a member of the unemployment insurance fund corresponding to his occupation or training (in the case of certain higher qualifications). These funds, set up and administered by the workers' unions (2), are responsible for collecting workers' and employers' contributions and paying out benefits. These activities are supervised by the "Arbejdsdirektoratet", a directorate of the Ministry of Labour, which also monitors the reality of unemployment through the Employment Service ("Arbejdsformidlingen").

There has been a steady increase in the proportion of workers subscribing to an unemployment insurance fund (from 35.5 per cent in 1973, it rose to 62.5 per cent in 1980), while the number of registered unemployed who are not insured is about 10 per cent.

The "insurance" character of the scheme is largely fictitious : with the recession, workers' and employers' contributions have come to represent no more than about 5 per cent of the total benefits paid, the remainder (95 per cent) being provided by the State.

In order to be entitled to unemployment insurance benefit, a worker must satisfy two kinds of condition : qualifying requirements and eligibility requirements.

a) Qualifying requirements

To qualify for benefit, a worker must be a member of an unemployment insurance fund and have worked in insured employment for a sufficiently long period.

i) In order to become a member of an unemployment insurance fund, a worker must comply with certain requirements :

- He must live in Denmark ;
- He must be between 16 and 65 years of age ;
- He must have a job in which he has worked for at least five consecutive weeks or for which he has a promise of employment for at least five weeks.

Young people who have just completed a university or higher education course or a vocational training course lasting longer than 18 months may become members of an unemployment insurance fund with no employment requirement if they apply within two weeks of passing their examinations. Young men on military service may also join an unemployment insurance fund.

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2. Two funds also exist for the self-employed.

Self-employed workers wishing to join their own fund must exercise their activity "more than temporarily", which means that they must in practice be registered with the tax administration, particularly the service responsible for collecting value added tax.

Membership of an unemployment insurance fund can be held by any person working for his or her living.

ii) To qualify for benefit, the worker must have been a member of an unemployment insurance fund for the year preceding the period of unemployment and have worked in an insured job for at least 26 weeks, eight hours a day = 1 040 hours.

When the period of work in the insured job does not amount in one year to the required 1 040 hours, entitlement to benefit is nevertheless acquired as soon as these 1 040 hours have been worked.

Young people who have completed a university or higher education course or vocational training for more than 18 months are entitled to benefit one month after joining an unemployment insurance fund, even though they have never worked.

b) Eligibility requirements

To be eligible for benefit, the worker must :

1) Be involuntarily unemployed. In the event of voluntary departure, benefit is paid only after a waiting period of five weeks, unless departure was for a legitimate reason.

ii) Be looking for work. The worker must register as a job-seeker with an Employment Service office (3). Refusal to accept a suitable job for no legitimate reason deprives him of the right to benefit (4).

iii) Be available. Sickness, military service (or conscientious objector status), imprisonment, etc., are all causes excluding payment of benefit.

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3. When unemployment is due to bad weather ("vejrligsledighed"), benefit may be paid for the first three days without registration. It is only on the fourth day that the unemployed worker must report to the Employment Service office.

4. Since 3 December 1980, refusal to work in a different occupation is no longer automatically regarded as legitimate reason.

iv) Be fit for work.

Industrial disputes such as strikes or lock-outs do not entitle a worker to payment of unemployment benefit.

2. Compensation for partial unemployment

A worker does not have to be wholly unemployed to receive benefit. The number of hours of unemployment giving entitlement to compensation is determined by reference to the number of weekly working hours insured.

For a full-time worker, the number of weekly working hours insured is normally 40 : providing he works at least 30 hours a week, a worker can choose to be insured for a 40-hour week.

Part-time workers whose working hours are 15 to 30 per week are insured for that number of hours.

When the number of hours worked is less than the number insured, compensation is payable for the hours not worked. This is subject to certain special conditions which are intended to ensure that the worker really wants to work longer. Thus, the holder of a job which normally comprises less than 40 hours per week, for example 32 hours, but who is insured for 40 hours as is his right, will receive compensation for eight hours, provided that :

- he is registered with an Employment Service office as looking for a 40-hour job ;
- the employer gives up his right to the month's notice which should normally be worked when a work contract is broken, to enable the worker concerned to meet the availability requirement. He is of course immediately obliged to accept any 40-hour-per-week job he is offered unless he has a legitimate reason for refusing.

However, in spite of its very liberal character, there is one restriction to compensation for partial unemployment in Denmark : unemployment benefit is paid only if it accounts for at least eight hours of work per week for a person insured full-time or the average length of a day's work for a person insured part-time. To give entitlement to compensation, the reduction in working hours in a particular week must therefore be at least 20 per cent. Apart from this restriction, which may lead to short-time working being arranged so as to permit compensation, the system is neutral as regards the choice which may be made between the different kinds of partial unemployment : shorter daily or weekly hours, or lay-offs. It is also neutral with regard to the alternative of partial unemployment or dismissal. The rate of compensation is the same in every case.

Duration and amount of benefit

Unemployment insurance benefit is paid from the first day of unemployment, with no waiting period. The compensation period is two and a half years (5). Where work is temporarily resumed during this period, the date of termination of benefit payments is carried forward by the same amount. No other extension, e.g. in view of the age of the person concerned, is possible (6).

The amount of benefit is equivalent to 90 per cent of the previous gross wage up to a ceiling set at 90 per cent of the average hourly wage of manual workers in the corresponding profession and industry. This is itself linked to the consumer price index. At 1 April 1981, the ceiling for daily benefit paid six days per week was Kr. 274 for 40 hours per week insured and Kr. 183 for 15 to 30 hours per week insured. The amount of benefit was set at Kr. 233 per week for young people who had never worked but were entitled to compensation because of their education and training. Income tax is deducted from unemployment benefit as from wages and salaries.

The daily benefit for the self-employed is calculated according to the income for the best two of the last five years, using the formula :

$$\text{Daily benefit} = \frac{\text{average income for the 2 best years}}{310} \times 0.90$$

Early retirement

Since January 1979, people aged 60 or over at the date when their work contract was broken may be eligible for early retirement benefits under the unemployment insurance scheme until they reach normal retirement age, which in Denmark is 67 for men and 62 for women.

The qualifying requirements are much stricter than those giving entitlement to unemployment insurance benefit proper : the person concerned must have been a member of an unemployment insurance fund for 10 years out of the last 15. He must comply with the other requirements for payment of unemployment insurance benefit at the time of

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5. To be more precise, the legislation lays down that the duration of compensation is equal to a period of three years less the time needed to accumulate the 1 040 working hours giving entitlement to benefit. For someone who has worked uninterruptedly for six months, at the rate of eight hours a day, before becoming unemployed, the duration of compensation is two and a half years.

6. Apart from the early retirement scheme for people aged 60 or over. See below.

the request for early retirement. For example, he must be resident in Denmark (but a three months' stay abroad is allowed each year) and be available : if he is sick, he draws sickness benefit but loses the early retirement benefit. During the period of early retirement, two hundred hours of work per year are allowed.

For 2 1/2 years (7), the amount of early retirement benefit is the same as unemployment insurance benefit (90 per cent of the previous gross wage) ; it falls to 80 per cent of unemployment insurance benefit for the next two years and then to 60 per cent for the remaining period up to retirement age.

The social assistance scheme

Unemployed persons who are not members of an unemployment insurance fund or who have exhausted their entitlement to unemployment benefit may be eligible for benefits paid by the communes in the form of temporary social assistance. This is granted very broadly to anyone who as a result of special circumstances (unemployment, but also sickness, maternity, divorce or separation, etc.) is temporarily without sufficient resources to meet his own needs and those of his family.

The granting of social assistance benefits is of course subject to conditions regarding household income. In addition, the worker (and possibly his wife) must have exhausted every available possibility of finding a job. This condition is regarded as satisfied if the Employment Service office at which the claimant is registered certifies that no work can be found for him.

Temporary social assistance is intended to be short-lived and the beneficiary's situation must be reviewed not later than three months after payments have begun. But there is no limit to the duration of benefits : aid may be continued for as long as it is considered likely to help the recipient to tide over the time before he can once again provide for his needs and those of his family (8).

The local social security committee also has wide powers concerning the amount of benefits granted. Three factors are taken into consideration for this purpose :

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7. If the beneficiary was previously unemployed, this period is reduced by the length of time he was receiving unemployment insurance benefit.

8. If this is not the case, for example where the beneficiary is unfit for work, another type of assistance, which is not temporary but permanent, is granted. But this is no longer an unemployment situation.

- the amount of regular household expenditure (such as rent) regarded as reasonable in the light of its previous living conditions ;
- an allowance for current expenditure, food and clothing, which is equivalent to the old-age pension to which everyone in Denmark is entitled (about Kr. 2 500 per month at 1 April 1980) ;
- a supplementary allowance for each child (about Kr. 480 per quarter).

As a general rule, the amount of benefits may not be higher than the beneficiary's previous earnings, or his foreseeable future earnings allowing for the change in his situation, or the maximum amount of unemployment benefit after tax (about Kr. 4 500 per month at 1 April 1981), with the possibility since 1 January 1981 of overstepping to allow for the number of children or a high rent.

## II. STATISTICAL ASPECTS

In Denmark as in most of the other countries, there are two sources for the statistics on both total and partial unemployment : the administrative and weekly data on unemployed in receipt of benefit published monthly by the "Arbejdsdirektoratet" (Labour Directorate, Ministry of Labour), and the sample surveys on employment carried out twice a year, in April and October, by "Danmarks Statistik". These two sources have original features compared with the statistics prepared in the other countries of the European Economic Community. The administrative source in particular consists of statistics of hours of unemployment for which benefit is paid, expressed as full-time equivalents unemployed, which represents the amount of work lost in whatever form : total unemployment, partial unemployment or lay-offs. This concept, which is one of the characteristic features of the Danish unemployment insurance scheme, would if brought into general use permit close comparison of the level and trend of under-employment (total and partial unemployment) in countries which in varying degrees practise lay-offs and shorter weekly working hours in the event of a temporary reduction of activity.

### 1. Administrative statistics

In Denmark, the administrative statistics on unemployment refer to unemployment for which benefit is paid, whether under unemployment insurance or social assistance, but exclude people receiving early retirement benefits. No figures are published on registered unemployment, i.e. on unemployed registered with an Employment Service office as job-seekers, whether they are in receipt of benefit or not.

Since 1 January 1979, the statistics on unemployed in receipt of benefit have been based on the Central File of labour market statistics kept for administrative and statistical purposes by the "Arbejdsdirektoratet". They are used and published by "Danmarks Statistik". Since they are based on hours of unemployment for which benefit is paid, they introduce new and original concepts.

The basic document used to update the Central File of labour market statistics is the unemployment benefit card ("dagpengekort"). This administrative document is sent by the claimant to his unemployment insurance fund and gives a day-by-day count of hours worked, from which the number of hours of unemployment giving rise to the payment of benefit may be calculated according to the number of weekly hours for which the worker is insured. Hours of unemployment exclude sickness, holidays and other absences. Training hours are counted only if they entitle the trainee to payment of unemployment benefit. The reference period is the week.

As a result of the administrative arrangement described above, the basic statistical information is the number of hours of unemployment suffered by a given person during a given week. In order to calculate the corresponding average number of full-time unemployed workers, these hours of unemployment must be expressed as a fraction of the worker's usual working week, i.e. the period for which he is insured (9). This fraction is called the "degree of unemployment".

Adding together the degrees of unemployment obtained for each person individually gives the corresponding average number of full-time unemployed workers. This average may be calculated for a week, a month, a quarter or a year. These are the data shown in the Danish unemployment statistics.

Example : a person insured full-time (40 hours) who has been unemployed for 20 hours during a given week has a degree of unemployment of $\frac{20}{40} = 0.5$ for that week. Similarly, a person insured part-time for 20 hours per week who has been unemployed for 10 hours during that week has a degree of unemployment of $\frac{10}{20} = 0.5$. These two people are

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9. It will be remembered that the number of hours insured is 40 per week for members of an unemployment insurance fund insured full-time ; it is 15 to 30 hours per week, according to the average number of hours worked prior to unemployment, for members insured part-time. For uninsured persons, who draw social assistance benefits and do not have to fill in the unemployment benefit card (less than 10 per cent of the total number of unemployed in receipt of benefit), normal working hours are arbitrarily set at 40.

the equivalent of one full-time unemployed worker, the result being obtained by adding their degrees of unemployment.

However, there is a gap in the Danish administrative statistics of unemployment ; they do not show the form taken by the reduction of work : total unemployment, shorter working hours or temporary lay-offs. Workers are invited to state on their unemployment benefit card whether they are unemployed because of bad weather and whether they are still attached to a given employer, being temporarily laid off, taking part in a work-sharing scheme or working on short time (with no distinction between these different cases). These statements make it possible in principle to isolate :

- unemployment due to bad weather ("vejrligsledighed"),
- unemployment due to a temporary reduction in working hours or a temporary lay-off for economic or technical reasons ("arbejdsfordeling").

However, the statements made are not regarded as trustworthy. Since they have no effect on compensation, they are not made with any special care and are not checked in any way. They cannot therefore be used for a real assessment of the volume of partial unemployment and, by deduction, of total unemployment.

It will be noted that no attempt has been made to distinguish between shorter working hours and temporary lay-offs. This supports the argument that these are two aspects of the same phenomenon, partial unemployment.

2. Sample survey of the labour force

The sample survey of the labour force is carried out by Danmarks Statistik twice a year in April-May and October. While the questionnaire for the October survey (10) is very concise, since 1975 the questionnaire for the Spring survey (11) has been extended and adjusted to comply with the specifications of the survey organised every two years by the Statistical Office of the European Communities.

There are a number of original features in the Danish survey methods as compared with similar surveys carried out in the other Community countries :

- The sample consists of a list of 60 000 individuals (and not a sample of households) taken from the Central Population File and comprises all persons aged 15 to 74 born on the 11th day of the odd months (January, March, etc., November).

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10. The employment survey ("Beskaeftigelsesundersøgelsen").
11. The Labour Force Survey ("Arbejdsstyrkeundersøgelsen").

- The survey is conducted through the post and not by interview. After two reminders, about 75 per cent of the replies are obtained by the end of July. A survey by interview is conducted among a subsample of 2 000 non-respondents, about two-thirds of whom agree to an interview.
- The reference period is a given day and not a week.

This survey classifies as unemployed persons who have declared that they have no job on the reference day and are in one or other of the following situations :

i) Unemployed (including unemployed people on a training course) ;
ii) Without a job (young people leaving school or university, occasional seasonal workers, people with no activity), looking for a job (or having a job beginning later) and available to begin work in a month's time.

According to these rules, people who have worked short time on the reference day are classified as having a job, but it is not possible to identify them at all precisely given the present design of the questionnaire. The questions on working hours which might permit this do not refer to the reference day (Wednesday 6 May, in the Spring 1981 Survey) but to the calendar week immediately preceding it (week of Monday 27 April, to Sunday 3 May). They comprise :

- a question on normal working hours ;
- a question on actual working hours during the calendar week preceding the reference day ;
- when actual hours are different from normal hours, a question on the reasons for this difference. Two of the possible responses :
  ... 4. Work-sharing ("Arbejdsfordeling") ;
  ... 8. Bad weather, machinery breakdown or similar reason ;

correspond to short-time working for economic, climatic or technical reasons. However, they do not cover every case where short-time working is introduced during an economic downturn, which may take less collective and less organised forms than are implied by the word "Arbejdsfordeling".

The fact that the reference period (one day : 6 May) used for classifying the people questioned as having a job, unemployed or non-active is different from the period used to measure working hours (one week, from 27 April to 3 May) introduces more serious conceptual difficulties than the slight inadequacy of the question put. A person may in fact have worked shorter hours on 6 May and have been wholly unemployed during the week of 27 April to 3 May or, on the contrary, have worked quite normal hours, and vice versa. It is therefore impossible to determine

exactly from the questions at present asked whether people classified as having a job on the reference day have worked normal or shorter hours.

There is one uncertainty concerning the classification of people laid off on the reference day. If they state that they have a job from which they were absent ("because of sickness, maternity leave, holidays, free day, strike, lock-out or some similar reason"), they will be classified as employed. On the other hand, if they say they are unemployed, they will be counted as unemployed. The wording of the reasons for absence, which does in fact appear to exclude lay-offs, even by assimilation, and the rules on unemployment compensation in Denmark, which are the same whatever the form of the reduction in the volume of work (total unemployment, lay-offs or shorter working hours), means that this second type of response cannot be excluded, especially in cases where a large number of hours are not being worked. In this case, there is no means of distinguishing workers laid off, i.e. whose work contract has been temporarily suspended, from the total number of unemployed. (12)

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12. Provided the reference period is carefully modified and the list of reasons for abnormal working hours adjusted, the questions on working hours previously examined should make it possible to isolate the number of lay-offs (no hours worked during the reference period because of lay-offs). But the questionnaire stipulates that for unemployed workers these questions refer to the previous job. Here again, the questionnaire design leads to a dead end.

# IV

## FRANCE

### I. THE INSTITUTIONAL FRAMEWORK

In France, an exhaustive reform of the compensation arrangements for total unemployment came into effect on 1 July 1979 (1). The two earlier schemes, which were closely interlinked - a State assistance scheme and a private insurance scheme run jointly by the representative employers' and workers' organisations - gave place to a single scheme managed by the unemployment insurance agencies and financed in part (two thirds) by employers' and workers' contributions and in part (one third) by a block grant from the State.

On the other hand, compensation for partial unemployment was not changed fundamentally : it comprises state assistance (public aid), specially maintained for this purpose, and a supplementary payment by the employer under a national inter-industry agreement.

#### 1. Compensation for partial unemployment

Unlike the German system, the French arrangements for compensation for partial unemployment are not absolutely neutral regarding the choice open to firms forced to make a temporary reduction in working hours, as between shorter daily hours and lay-off for a given period. But, in contrast to the Italian system, the French scheme tends to favour shorter working hours since compensation for lay-offs under the heading of partial unemployment is limited to two fourteen-day periods.

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1. The Act of 16 January 1979 laid down the principles of the new arrangements. In this new framework, the national inter-industry agreement of 16 March 1979, signed by the representative employers' associations and workers' unions, completely revised the provisions of the collective agreement of 31 December 1958 setting up the joint unemployment insurance scheme.

In order to enable its workers to receive benefit for being partially deprived of employment, the firm must make application to the Direction départementale du travail et de la main-d'oeuvre. Benefit is granted on the Prefect's decision provided this partial unemployment is due to one of the following circumstances : the economic situation, raw material or energy supply difficulties (2), an incident causing loss or damage, exceptionally bad weather, a transformation, restructuring or modernisation of the firm, or any other exceptional circumstance.

When the reduction in working time takes the form of shorter daily hours, compensation is paid, with no other restriction, up to an annual quota of hours fixed for the various industries by order of the Minister of Labour. This quota is at present a standard 400 hours for any industry (3).

Where there is a lay-off, i.e. a suspension of work, the form of compensation depends on its duration :

- For the first two fourteen-day periods, compensation is paid under the heading of partial unemployment.
- After that, the employee receives compensation for being wholly unemployed. This is the only case where compensation for being wholly unemployed is granted although the work contract has not been broken. In order to obtain these benefits, the worker concerned must register with an office of the Agence nationale pour l'emploi (National Employment Agency).

Public compensation for partial unemployment takes the form of hourly benefits at a flat rate of 70 per cent of the "guaranteed minimum" (4) as at 1 July each year. At 1 July 1980, hourly compensation for partial unemployment amounted to Frs. 5.99. Under the new scheme of compensation, the progressive increase of hourly benefits

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2. Unless these difficulties are due to an industrial dispute affecting the employing firm.

3. Order of the Minister of Labour of 8 April 1980.

4. Since 1970, the "salaire minimum interprofessionnel garanti" which was indexed to consumer prices alone, was replaced for purposes of determining the statutory minimum wage by the "salaire minimum interprofessionnel de croissance" (SMIC). In order to give the lowest-paid workers a share in the fruits of economic growth, the SMIC not only takes account of the trend of prices but also of general economic conditions and incomes. The increase in the SMIC compatible with economic growth is introduced by decree on 1 July each year. The "guaranteed minimum" continues to be fixed at the same time as the SMIC, for the purpose of calculating the allowances and social benefits related to it. At 1 July 1980, it amounted to Frs. 8.55.

according to the duration of partial unemployment has been abolished, as well as the increments for dependants.

In most cases, the state allowance for partial unemployment is supplemented by a payment borne by the employer and governed either by the national inter-industry agreement of 21 February 1968 or possibly by a more advantageous private agreement.

The national agreement of 21 February 1968 (Supplementary clause of 17 March 1980) guarantees the worker concerned 50 per cent of his previous gross hourly wage for hours not worked for which benefit is payable, with a lower limit of Frs. 13.60 at 1 October 1980. The conditions of entitlement to this supplementary benefit are rather more restrictive than those for the state allowance. In particular, in order to give entitlement to compensation, partial unemployment must be neither the result of supply difficulties due in any way to an industrial dispute nor to exceptional circumstances or bad weather.

In order to encourage firms in endangered sectors to resort to partial unemployment rather than dismissals, the State may by agreement shoulder part of the supplementary benefit paid by the employer. This fraction may not amount to more than 60 per cent for sectors in disequilibrium designated by order of the regional Prefect and 80 per cent for sectors considered as having national priority.

2. Compensation for being wholly unemployed

The French unemployment insurance scheme set up by the collective agreement of 31 December 1958 is a private scheme jointly administered by the representative employers' and workers' organisations. It is run by independent associations, the ASSEDIC (Associations pour l'emploi dans l'industrie et le commerce), federated in the UNEDIC (Union nationale pour l'emploi dans l'industrie et le commerce).

Up to the reform of 1 July 1979, this insurance scheme was combined with state assistance. In contrast to the provisions of the German scheme, under the French system insurance benefits could be drawn in addition to public assistance from the State. This accumulation was even the backbone of the arrangements for compensating unemployment due to economic reasons, the insurance benefit supplementing public assistance in this case so as to bring the beneficiary's income up to 90 per cent of his last pay.

In abolishing public assistance, the reform standardised the French system of unemployment compensation : it is now no longer possible to accumulate two different benefits granted independently, a state of affairs which led to a number of unjustified inequalities. In exchange

for abolishing its own assistance scheme, the State now takes a share (one-third) in financing the joint unemployment insurance scheme by means of a grant.

The coverage of unemployment insurance, which already concerned nearly all private industrial, commercial and agricultural enterprises, has been extended to all employees : since the reform, all employers without exception (5), including employers of domestic servants, are bound by it.

There are five types of benefit under the new scheme :

- the "allocation de base" (basic benefit), paid to workers who have involuntarily lost their jobs but cannot claim dismissal for an economic reason ;
- the "allocation spéciale" (special benefit), which is higher than the above and reserved for workers dismissed for economic reasons ;
- the "allocation de fin de droits" (end-of-entitlement benefit), paid to unemployed workers who have exhausted their entitlement to the special or basic benefit ;
- the "allocation forfaitaire" (flat-rate benefit), intended for certain categories of job-seekers not entitled to the basic benefit : young people looking for their first job, former apprentices, single women with dependants, etc. ;
- the "garantie de ressources" (guaranteed income), granted to workers aged 60 or over.

Certain qualifying and eligibility requirements must be met for entitlement to basic benefit under the unemployment insurance scheme :

a) Qualifying requirements

To qualify for basic benefit, the claimant must prove that, for 91 days during the 12 months preceding stoppage of work, he has been a member of one or more enterprises covered by the scheme (i.e. in practice, a private sector firm or farm) (6) or has worked 520 hours there over the same period.

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5. Central and local government, as well as certain public or nationalised enterprises, remain outside the range of the joint unemployment insurance scheme. But their non-established or non-statutory staff, who consequently have no employment guarantee, are entitled in the event of dismissal to the same benefits, granted on the same conditions, as those provided by the joint scheme. These benefits are the direct responsibility of the employing organisations.

6. The public sector remains outside the scheme, but

(continued on next page)

b) Eligibility requirements

He must be involuntarily unemployed, i.e. :

i) Have been dismissed, even if such dismissal is due to a misdemeanour. Expiry of a fixed-term contract and voluntary departure for a legitimate reason also give entitlement to benefit.

ii) Be looking for work. He must register as a job-seeker with the National Employment Agency, but the regulations also lay down that he must "make positive efforts to find work". Refusal for no legitimate reason to accept a suitable job or to take a training course considered advisable can exclude a claimant from entitlement to benefit.

iii) Be under 65 years old or the retirement age for his occupation.

iv) Be physically fit for work.

He must be wholly unemployed ; his unemployment must be neither seasonal, nor due to a collective industrial dispute.

The basic daily benefit consists of :

- a fixed element amounting to Frs. 25 at 1 October 1980, which replaces the old public assistance benefit ;
- and a proportional element equivalent to 42 per cent of the previous gross wage (7).

As in the past, the daily benefit may not be less than a certain minimum (Frs. 66 at 1 October 1980), nor higher than a certain maximum (Frs. 320.88 in 1981, the ceiling for earnings on which contributions are based being set at Frs. 22 920 per month). The fixed element of benefit and the reference wage are revalued twice a year on 1 April and 1 October.

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(Note 6 continued)
its employees are entitled to the same benefits as those paid in the private sector.

7. The method of calculating the amount of basic benefit is broadly based on the previous system in which the worker could accumulate an assistance benefit, public assistance and an insurance benefit proportional to the previous wage (40.25 per cent when payment of benefit begins, and 35 per cent thereafter).

Benefit is paid from the first observed day of unemployment, without a waiting period. The duration of compensation depends on the unemployed worker's age when the work contract is broken. It varies between one year for people under 50 to 2 1/2 years (912 days) for workers aged 55 or over. Beyond these periods extensions may be granted on an individual basis by decision of a joint commission. Furthermore, an unemployed worker who is still receiving benefit at 61 years and 8 months is entitled to continue receiving it until 65 years and 3 months (these are usually workers who have been dismissed after the age of 59 years and 2 months).

Additional more restrictive requirements are laid down for the special benefit, which replaces the "temporary additional allowance" created by the Agreement of 14 October 1974. The worker must :

i) have been dismissed for cyclical or structural economic reasons certified by the responsible administrative authority ;
ii) be under 60 on the date of dismissal ;
iii) during the 12 months preceding the breaking of the work contract, have been a member of one or more firms covered by the scheme for 181 days or have worked 1 040 hours in such firms.

Like basic benefit, special benefit consists of :

- a fixed element of Frs. 25 per day at 1 October 1980;
- and an element proportional to the previous wage. In order to encourage beneficiaries to get another job, this proportion is degressive, falling successively from 65 per cent during the first quarter of compensation to 60, 55 and 50 per cent for each of the next three quarters for which compensation is payable.

However, beyond a certain reference wage level (monthly gross wage of Frs. 7 500 at 1 October 1980), benefit becomes entirely proportional : it is respectively 75, 70, 65 and 60 per cent of the previous wage for each of the four quarters for which benefit is payable, the amounts of compensation being in any event guaranteed.

Special benefit may be obtained for a maximum period of one year, subject to review by a joint commission after the first ten months' payment, of the efforts made by the unemployed worker concerned to find another job. When payment of special benefit ceases, compensation continues either through the basic benefit or the end-of-entitlement benefit. The duration of payment of special benefit is counted against entitlement to basic benefit.

End-of-entitlement benefit is paid, as its name implies, when entitlement to special or basic benefit and any

extensions are exhausted. It is paid at a flat rate equivalent to the fixed element of the basic benefit (Frs. 25 at 1 October 1980) and replaces the old public assistance allowance. As with basic benefit, its duration depends on the worker's age when his work contract was broken and ranges from 9 months (274 days) for people under 50 to 15 months (456 days) for those aged 55 or over. Beyond that, extensions may be granted on an individual basis by decision of the joint commission.

Flat-rate benefit is intended to compensate certain categories of job-seekers who were not previously in paid employment : mainly young people looking for their first job (apprentices, persons with an employment-training contract, holders of certain technical diplomas or the equivalent, young men who have just finished their military service, etc.) and single women with dependants or who have completed an approved course of vocational training.

There are three levels of flat-rate benefit, depending on the claimant's category : Frs. 50, Frs. 37.50 and Frs. 25 per day at 1 October 1980. The duration of compensation is one year, but it may be extended on the same conditions as for the other benefits.

Apart from special benefit, which is strictly limited to one year, unemployment benefits may be extended when entitlement is exhausted. Extensions are granted on an individual basis after cases have been reviewed by a joint commission. Each extension may not exceed three months (91 days) but may be renewed up to the maximum period of compensation, all benefits combined. This is three years (1 095 days) for unemployed who were under 50 when their work contract was broken and five years (1 825 days) for those aged 50 or over. This rule does not apply to unemployed workers who are still receiving basic benefit at the age of 61 years and 8 months as they are entitled to continue to receive it up to 65 years and 3 months.

Thus, someone who is under the age of 50 when dismissed is entitled to special benefit if the dismissal was for economic reasons or to basic benefit for one year and then to end-of-entitlement benefit for nine months. But he can obtain extensions of either of the last two benefits up to a total compensation period of three years. If the work contract is broken when the worker is 55 or over, he is entitled to special benefit for one year in the event of dismissal for economic reasons and then to basic benefit for a year and a half. Finally, he will receive end-of-entitlement benefit for a further 15 months. His total compensation entitlement is therefore three years and nine months. Furthermore, it is also possible for him to obtain extensions of basic or end-of-entitlement benefit up to a total compensation period of five years. Between 50 and 55, the total maximum compensation period is still five years, but the periods of entitlement

to basic and end-of-entitlement benefits are reduced. After a year, during which he will receive special benefit if he has been dismissed for economic reasons, the worker concerned is entitled to basic benefit for one year and two months, and then to end-of-entitlement benefit for a further year. His automatic entitlement to compensation is thus reduced to three years and two months.

The last benefit, the guaranteed income, is granted to beneficiaries aged 60 or over at the time when their work contract was broken. It was at first reserved for dismissed workers but was temporarily extended (up to 31 March 1981) to cases of resignation by the agreement of 13 June 1977. This agreement will probably be renewed.

The qualifying requirements are much more severe than those laid down for entitlement to basic benefit. The beneficiary must simultaneously prove :

i) that he has been affiliated to the Social Security system for 10 years as an employee in one or more firms covered by the unemployment insurance scheme ;
ii) that in the five years preceding termination of the work contract he has worked continuously for one year or intermittently for two years in one or more firms covered by the scheme.

The guaranteed income amounts to 70 per cent of the previous wage and is paid up to the age of 65 years and 3 months.

## II. STATISTICAL ASPECTS

In France, as in the other countries reviewed, the statistics on unemployment and partial unemployment come either from administrative sources (Ministry of Labour) or from the employment survey carried out twice a year on a sample of households by the Institut National de la Statistique et des Etudes Economiques (INSEE).

### 1. Statistics of the Ministry of Labour and the National Employment Agency

The Ministry of Labour publishes every month the number of "end-of-month job applications" registered at the offices of the National Employment Agency (ANPE). These applications refer to "persons without employment immediately available for work, who are seeking a permanent full-time job" (category 1 applications). Applications from people looking for a permanent part-time job or a seasonal or temporary job are excluded. This series is generally regarded as showing the trend of total unemployment.

The statistics of end-of-month job applications do not include lay-offs (8) or, of course, people whose working hours have been reduced. On the other hand, owing to the rules on compensation, people laid off for longer than two fourteen-day periods are shown in the statistics of public assistance recipients.

The Ministry of Labour also publishes statistics of partial unemployment. These are derived from the processing of compensation authorisations granted as a result of applications made by employers to the Directions départementales du travail et de la main-d'oeuvre. They show the number of hours for which compensation has been authorised and the relevant number of workers. They cover persons whose working hours have been reduced and persons laid off for no longer than two fourteen-day periods.

2. Sample survey on employment

The sample survey on employment is carried out by the INSEE twice a year, in March and October, on an area sample (sampling ratio = 1/300 or 60 000 households). In 1975, the survey questionnaire was adapted so that the definitions of employment and unemployment recommended by the ILO could be used.

This survey regards as unemployed in the ILO sense any person who states :

i) that he is looking for paid employment ;
ii) that he has not worked, even for one hour, during the reference week and does not have a job from which he or she is absent because of sickness, statutory maternity leave, annual leave or leave for personal reasons, bad weather or seasonal reduction of activity, industrial dispute or attendance at a training course ;
iii) that he has made an active effort to find a job during the month preceding the survey (registered or continued to register with the ANPE, or a private placement agency, answered newspaper advertisements, made personal contacts, etc.) ;
iv) that he is available, i.e. if a job is found immediately he can begin work within less than 15 days (less than a month in the event of a minor illness).

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8. People laid off for longer than two fourteen-day periods, who have registered with the ANPE in order to qualify for public assistance allowances, are classified as category 3 job applications : "persons with or without employment seeking a non-permanent job (seasonal or temporary) on a full-time or part-time basis".

According to these rules, partially unemployed workers who have worked for at least one hour during the reference week are classified as having a job. People in this situation can be identified through the answer :

- "partial unemployment (or slowdown in business)" to the question concerning the reason why fewer than 45 hours were worked.

On the other hand, people who state that they have not worked at all during the reference week either because of "partial unemployment (or slowdown in business)" or because they are currently "only in occasional employment as and when the opportunity arises" are assimilated to persons laid off as in the ILO recommendations and, in compliance with the latter, are classified as unemployed.

# V

## GERMANY

### I. THE INSTITUTIONAL FRAMEWORK

Under the "Act on the promotion of employment" of 1969 (Arbeitsförderungsgesetz), Germany has both a system of compensation for partial unemployment, handily termed "Kurzarbeit" (short-time working), and a system of compensation for the wholly unemployed.

#### 1. Compensation for short-time working

The German system of compensation for short-time working has the special feature of being entirely neutral from the standpoint of the choice open to firms forced to make a temporary reduction in the volume of work, between shorter daily working hours and a temporary "lay-off". For example, in the case of a 50 per cent cut in the volume of work a firm's employees may have to work a half-day every day (reduction in hours) or one week in two (lay-off).

To enable its workers to receive compensation for short-time working, the firm has to make an application to the Federal Labour Office (Bundesanstalt für Arbeit) and prove that a number of conditions are satisfied :

- The reduction in the volume of work must be temporary, but not seasonal ; the firm's timetable of work must not habitually be irregular.
- The reduction in the volume of work must be unavoidable. Specifically, all possible measures to prevent short-time working must have already been taken : the firm must, for example, have stopped all overtime working and have rebuilt its stocks.
- The reduction in the volume of work must attain a certain proportion : it must affect at least one-third of employees to the extent of one-tenth of their working hours and extend over at least four consecutive weeks.

Furthermore, compensation for short-time working (Kurzarbeitergeld) is not paid when the labour market is tight, i.e. when some firms are unable to find people to hire. In such cases, dismissal of workers followed by alternative employment in another firm is encouraged.

Short-time allowances are usually paid for a maximum period of six months, but this can be extended by three-month periods up to 24 months, by Order (Rechtsverordnung) of the Ministry of Labour and Social Security. This facility has frequently been used since 1975. Furthermore, resumption of work full time for three months gives entitlement to a further period of compensation. It may therefore be said that in Germany there are probably no persons on short time who do not receive compensation.

The possibility of having recourse to compensation for short-time working is advantageous both to firms and to workers. It enables firms to maintain an experienced workforce and to avoid the costs involved in dismissing and then re-hiring labour. The employees keep their jobs and receive their normal wage for the hours worked plus the proportion of unemployment benefit (1) corresponding to the percentage reduction in the number of hours worked out of normal working hours.

Alongside compensation for short-time working, there is a compensation scheme in the building sector that goes back to 1959 for reductions in time worked attributable to bad weather conditions (Schlechtwettergeld). For periods of bad weather between November and March, building workers are paid, in the same way as for short-time working, an allowance equal to the proportion of unemployment benefit corresponding to the working hours lost because of bad weather.

2. Unemployment compensation

The unemployment compensation scheme is based on a dual system of unemployment allowances (Arbeitslosengeld) and assistance for the unemployed (Arbeitslosenhilfe).

To qualify for the unemployment allowances, the persons concerned must satisfy the following conditions :

a) Be unemployed, i.e. :

i) Have registered with the Labour Office as seeking employment for at least 20 hours per week ;

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1. The unemployment benefit is 68 per cent of the wage, net of income tax and social security contributions. Hours not worked are therefore compensated as to 68 per cent.

ii) Be under 65 and fit for work ;
iii) Currently not work more than 20 hours per week and be available for work.

b) Have worked as an employee (in a job where they were able to pay contributions to the unemployment fund) for at least 26 weeks during the three years preceding their having registered as unemployed.

The unemployment allowance is 68 per cent of the wage, net of income tax and social security contributions (i.e. unemployment, sickness and old-age insurance) but cannot exceed a certain ceiling (2). These allowances are paid from the first day of unemployment provided the other conditions are satisfied. The maximum duration of compensation depends on the total length of the periods of employment during the three preceding years. This duration ranges from 78 working days for 26 weeks of employment to 312 working days for 104 weeks or over.

Assistance for the unemployed is in the nature of public assistance. It is paid provided the persons concerned satisfy the following conditions : they must

i) Be unemployed, as defined above
ii) Not receive the unemployment allowance
iii) Be in want
iv) Satisfy certain conditions of previous employment, less stringent than those relating to the payment of the unemployment allowance : it is sufficient, for example, to have been an employee for at least 10 weeks in a job involving at least 20 hours of work per week. In certain circumstances, students or self-employed persons can qualify for assistance for the unemployed.

The essential condition for the assistance to be paid is that the person concerned must be in want. This is determined from his personal wealth and any incomes other members of the household may have.

The assistance allowance is 58 per cent of the previous wage, net of income tax and social security contributions. There is no maximum period for the payment of assistance allowances. They cease only at the age of 65. In most cases, they are received by persons who have used up their entitlement to unemployment allowances.

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2. The ceilings, in terms of net monthly income, were as follows : 1977, DM 3 400 ; 1978, DM 3 700 ; 1979, DM 4 000 ; 1980, DM 4 200 ; 1981, DM 4 400.

## II. STATISTICAL ASPECTS

In Germany, as in the majority of other countries, there are two sources of statistics of the partially or wholly unemployed : the official monthly statistics of the Labour Office and the micro-census (Mikrozensus) carried out once a year by the Federal Statistical Office (Statistisches Bundesamt). The concepts used in both these sources are in close agreement with the principles underlying the compensation scheme for short-time working set up with the aim of reducing the risk of persons becoming (wholly) unemployed.

Since the contract of employment is maintained, workers on short time are considered both by the Labour Office and by the micro-census as having a job.

### 1. Statistics of the Labour Office

The Labour Office publishes separate statistics (i.e. it does not add them), on the one hand, of the number of jobless (Arbeitslose), making a distinction between unemployed persons seeking a full-time job (Vollzeitarbeitslose) and those seeking a part-time job (Teilzeitarbeitslose) and, on the other, of the number of persons working short-time for economic reasons (Kurzarbeiter) or because of bad weather. These statistics do not make it possible to identify among the workers on short time those whose daily hours of work have been cut and those who have been laid off for one or several consecutive days.

### 2. The micro-census

The micro-census is a household sample survey conducted once a year, in April, the sample ratio being 1/100. In this survey anyone who states the following is regarded as unemployed :

i) That he did not work during the reference week.
ii) That he is either unemployed (in answer to a first question) or that he is seeking employment (in answer to a second question) (3).

In accordance with these rules, workers on short time are most probably classified as having a job, whether or not they have worked a few hours during the reference

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3. It is possible therefore that persons will be classified as unemployed, on the basis of their reply to the first question, even if they do not state they are seeking employment in reply to the second.

week (4). This classification is carried out on the basis of replies to three questions :

- a question on the normal duration of work of the person interviewed ;
- a question on the duration of work during the reference week ;
- when the duration of work during the reference week is shorter (or longer) than the normal duration, a question on the reasons for this difference. Of the possible replies, two - short-time working (Kurzarbeit) and bad weather (Schlechtwetterlage) - make it possible to identify the workers affected by partial unemployment. The duration of work during the reference week makes it possible to identify among these persons those who have been laid off for the whole week. The results obtained suggest that there are very few of them : less than 10 per cent (5).

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4. The only uncertainty surrounds persons laid off for the whole of the reference week. If they state, in answer to the first question, not that they have a job but that they are unemployed, or, in answer to the second, that they are seeking employment, they could be classified as unemployed. Since a very strong working link is maintained between the laid-off worker and his firm, this type of statement seems very unlikely.

5. It should be pointed out that the survey seems partially to fail to derive figures on workers on short time. It enumerates less than one-third of the persons who, according to the Labour Office, receive an allowance for short-time working.

# VI

## IRELAND

### I. THE INSTITUTIONAL FRAMEWORK

In Ireland no specific provision is made for compensation for partial unemployment, which is covered only within the general framework of compensation for being wholly unemployed. The provisions governing the latter - which are, in fact, interpreted in a liberal manner so as to facilitate recourse to short-time working - do not allow compensation in the case of a reduction in daily hours worked but only in that of lay-off for whole days, when an employee may, with certain restrictions, be entitled to compensation.

The situation in Ireland as regards compensation for the partially unemployed resembles that which existed in the United Kingdom before compensation for partial unemployment as such was introduced by the Employment Protection Act of 1975 and its scope extended under the Employment Protection (Consolidation) Act of 1978. The two countries' compensation system for the wholly unemployed are very similar in their principles.

#### 1. Compensation for the wholly unemployed

In Ireland as in the United Kingdom, compensation for the wholly unemployed forms an integral part of the National Insurance Scheme which insures wage and salary earners against the various social risks. There are two types of unemployment allowance : flat-rate benefits and earnings-related benefits.

To qualify for flat-rate benefits, the persons concerned must satisfy two types of conditions : qualifying requirements and eligibility requirements.

##### a) Qualifying requirements

To qualify for benefits, claimants must prove that they have paid National Insurance contributions over a sufficiently long period. This is a twofold condition :

i) The person concerned must have paid at least 26 weekly contributions while in insurable employment since having joined the National Insurance Scheme ;
ii) During the tax year (ended 5 April) preceding the current period of unemployment he or she must have made or been credited with (in respect of previous periods of unemployment, sickness or maternity leave) at least 26 weekly payments. However, 48 payments are required for entitlement to the full allowance. Contributions covering between 26 and 48 weeks give entitlement to a reduced allowance.

b) Eligibility requirements

To be eligible for benefits, a worker must :

i) Be involuntarily unemployed. No compensation is due if an employee has resigned without legitimate cause, been dismissed for misconduct or lost his or her employment because of an industrial dispute.
ii) Be looking for work. Refusal for no valid reason to accept a suitable job or undergo supplementary occupational training leads to loss of entitlement. It is worth mentioning that in Ireland it is not essential to have registered with the National Manpower Service in order to receive unemployment benefit (1).

The flat-rate benefit in April 1980 was £ 20.45 per week (only £ 18.00 for a married woman or an adolescent under 18 without dependants). Additional family allowances are provided : £ 13.25 per dependent adult and from £ 4.90 to £ 5.95 per dependent child.

These benefits are only paid from the fourth day of unemployment occurring during a period of 13 weeks (2). The waiting period is therefore three days. In addition, periods during which there were fewer than three days of unemployment or inability to work over a period of six

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1. Payment of unemployment benefit is kept absolutely separate from the employment services, since the former is the responsibility of the Department of Social Welfare, whereas the latter (the National Manpower Service) comes under the Department of Labour. This explains why only about 80 per cent of the unemployed are registered with the National Manpower Service.
2. If there has already been a claim for benefits because of unemployment or inability to work during the 13 weeks preceding the new period of unemployment, no waiting period is imposed.

consecutive days, excluding Sundays, are not considered to be periods of unemployment (the three-in-six days rule).

Flat-rate benefits are paid to persons under 65 or 66 (3) for a maximum period of 390 days (312 days in the case of a married woman, 156 days if the claimant is an adolescent under 18).

There is an additional requirement for the payment of earnings-related benefit : the claimant's reckonable weekly earnings must be over £ 14. Such earnings are determined by dividing total earnings during the reference tax year by 50 (4).

When these conditions are satisfied, a supplement to the flat-rate benefit is paid, calculated (up to a £ 140 ceiling) on the basis of that part of reckonable weekly earnings over and above £ 14. The percentage applied declines with the length of time over which compensation is paid, from 40 per cent during the first 147 days to 30, 25 and 20 per cent for each ensuing 78-day period. The sum of the flat-rate benefit and earnings-related supplement cannot exceed 85 per cent of the previous wage (net wage after tax) (5).

The supplement to the flat-rate benefit is only paid from the 13th day of unemployment as defined above. Its payment ceases with that of the flat-rate benefit.

2. Application of the rules governing compensation for the wholly unemployed to persons on short time

Although the general rules for unemployment insurance are interpreted in a liberal manner so as to permit compensation for partial unemployment, they singularly restrict the possibilities of recourse to this way of reducing the volume of work.

i) To give entitlement to compensation under the National Insurance Scheme, the reduction in time worked must take the form of lay-off (suspension) for whole days and not of a reduction in daily working hours.

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3. In certain circumstances where qualifying requirements are amply met, claimants over 65 may receive benefit until they are 66.

4. The reference tax year is the tax year (ended 5 April) immediately preceding the benefit year (which starts on the first Monday in January).

5. This is the average weekly wage calculated from the start of the current tax year up to the date at which compensation is claimed.

ii) Because of the period of waiting, unemployment allowances are not payable for the first three days of lay-off in a period of 13 weeks. In addition, earnings-related supplements are payable only after a further 12 days' lay-off.

iii) Application of the three-in-six-days rule removes any possibility of using partial unemployment in a flexible way, since for compensation to be possible there must be at least three days of lay-off (including Saturday) in one week. For instance, with this system, a 20 per cent reduction in the volume of work (1 day laid off for 4 worked) cannot be compensated (6).

The rules governing compensation for the wholly unemployed have, however, been interpreted as liberally as possible to allow recourse to partial unemployment. In particular, the rule that the sum of the flat-rate benefit and the earnings-related supplement cannot exceed 85 per cent of the previous wage does not apply to the partially unemployed (7) ; for them, the limit is the weekly reference wage.

In this framework, compensation for partial unemployment is payable indefinitely, since the same rule applies to the partially as to the wholly unemployed - i.e. in order to be eligible for a new period of compensation they must have accumulated a further 13 weeks of work. The partially unemployed automatically satisfy this requirement.

## II. STATISTICAL ASPECTS

Ireland has two sources of information on the wholly unemployed and the partially unemployed :

- An administrative source in the form of claims for Unemployment benefit registered at the Department of Social Welfare's local employment offices (8).

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6. In fact, in 80 per cent of cases in Ireland, partial unemployment takes the form of a three-day working week. Employees concerned receive unemployment benefit for the other three days. Almost all the remaining cases consist of weeks of work alternating with weeks not worked.

7. The pretext invoked for the non-application of this rule is an administrative one, i.e. calculating the average weekly wage since the beginning of the current tax year would mean that each week the employer would have to be asked the amount of the claimant's wage.

8. It has to be borne in mind that in Ireland compensation and placement are two entirely separate matters

(continued on next page)

- A statistical source : the Labour Force Survey carried out every two years in accordance with EEC requirements.

1. Statistics of persons drawing unemployment benefit

Statistics of persons drawing unemployment benefit are compiled from the "live register", the record of current claims kept by local employment offices, and are published monthly.

Since January 1980, persons on systematic short-time working and those aged 65 and over have not been included in these statistics. Figures concerning partial unemployment are published separately.

Apart from such cases of partial unemployment, persons on temporary lay-off are still included in administrative statistics. There is no way of making a distinction between them and employees who have been dismissed.

2. The Labour Force Survey

Since 1975 a labour force sample survey covering some 40 000 households has been carried out once every two years as part of the European Communities' statistical programme (9).

In its sample survey, Ireland does not apply the international definition of employment and unemployment recommended by the ILO. In particular, in classifying and distinguishing employment and unemployment, reference is not made to the respondent's actual circumstances "during a specified brief period" but, instead, to his or her usual situation with regard to employment. In addition, persons who have given up looking for work ("discouraged workers") are classified as unemployed.

In precise terms, the survey classifies the following groups as unemployed :

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(Note 8 continued)
dealt with by two different ministries. In particular, it is not necessary to be registered with the National Manpower Office to be entitled to the unemployment benefit paid by the Department of Social Welfare. As a result the number of unemployed persons registered with the National Manpower Office is less than the number actually unemployed, so that these figures, often used in other countries, are of no relevance in Ireland.

9. In June 1975, April-May 1977 and May-June 1979.

a) Persons who state that they are simultaneously

i) unemployed, having lost or given up previous job ;
ii) looking for work now or have stopped looking as new job has been obtained.

Also classified in this group are "discouraged workers", i.e. any person who confirms that he/she would like to work regularly and who gives one or other of the following reasons for not looking for work :

- "lacks the necessary education, skills and experience" ;
- "employers think person is too young or too old" ;
- "looked but couldn't find any work" ;
- "believes no work is available".

b) Anyone who states that he or she is looking for first regular job or is actively looking for work again after voluntary interruption of working life of 12 months or more for personal or domestic reasons.

c) Non-active persons, pupils or students, housewives engaged on home duties, retired persons or others who state that they are :

i) looking for a regular paid job as principal occupation ;
ii) immediately available for work.

The survey includes no question which makes it possible to distinguish those who have been laid off from those dismissed. There is, moreover, one uncertain point with regard to the classification of lay-offs. If a person who has been laid off states that he has a job he will be classified as being in employment, even if he has not worked a single hour during the reference week. On the other hand, if he says that he is unemployed and looking for work, he will be classified as unemployed. Since the questions asked refer to the "usual situation with regard to employment" and not to the particular circumstances prevailing during the reference week, it seems likely that a person who has been laid off and is on systematic short-time working, i.e. working three days a week or one week in two, will generally consider that he has a job. The situation is different when there is a temporary lay-off, where work has ceased completely for a fixed or indefinite length of time. In these circumstances, although the contract of employment is simply suspended and not terminated, it is obviously likely that the employee concerned who, once four weeks have passed, is entitled to claim redundancy payment, will state that he is unemployed.

Persons who state that they have a job and who have worked on short time during the survey week may be identified by means of three questions :

- Hours worked at this job in the reference week ?
- Is this the number of hours normally worked ?
- When the number of hours worked during the reference week differs from normal working hours, a question as to the reasons for this difference :
  Which of the following reasons best describes why these were not the normal number of hours worked :
  ... - Short time.

# VII

## ITALY

### I. THE INSTITUTIONAL FRAMEWORK

In Italy, compensation for being wholly and partially unemployed is paid through the National Social Insurance Institute ("Istituto Nazionale della Previdenza Sociale" - INPS).

#### 1. Compensation for partial unemployment

Termed the "earnings supplement" ("integrazione salariale"), the Italian system of compensation for partial unemployment is rather complex. From the standpoint of the choice between a reduction in daily hours worked and a lay-off, it is neutral for blue-collar workers in industry, but not for farm workers or white-collar workers who are only entitled to compensation for being laid off ("sospensione dal lavoro").

The scheme is in three parts : the ordinary earnings supplement for blue-collar workers in industry, the special earnings supplement for blue- and white-collar workers in industry and the earnings supplement for farm workers.

##### a) The ordinary earnings supplement for blue-collar workers in industry

The ordinary benefit paid by the Earnings Supplement Fund for Blue-collar Workers in Industry ("Cassa per l'integrazione dei guadagni degli operai dell'industria") applies only to blue-collar workers in industrial firms and craft firms in the building and building materials sectors who have, temporarily, been laid off ("sospesi dal lavoro") or who have worked fewer than 40 hours per week. The Cassa operates in conjunction with the INPS.

The compensation is 80 per cent of the gross pay a worker would have received for the hours not worked, up to a limit of his contractual working hours and up to a maximum of 40 hours per week. As a rule, such compensation can only be paid during 13 consecutive weeks. As an exception, for

firms in the building and building materials sectors and only on the assumption of a reduction in working hours, the period of compensation can be extended, by periods of three months, to 12 months.

b) The special earnings supplement for blue- and white-collar workers in industry

Any industrial firm can claim the ordinary supplement provided it satisfies the relevant conditions (a reduction in working hours for temporary reasons not attributable to the firm or its employees). The special supplement is reserved for sectors or geographical areas that have been declared as experiencing an economic crisis and to firms in the course of being restructured, reorganised or converted or for which the crisis has particular social importance because of the local situation of employment or of the sector.

The special supplement is paid by Order of the Ministry of Labour and Social Insurance after the Interministerial Committee for the Co-ordination of Industrial Policy (Comitato interministeriale per il coordinamento della politica industriale) has confirmed that the conditions for granting benefit exist. It applies to blue-collar workers whatever the form of the reduction in hours and to white-collar workers who have been laid off (sospesi dal lavoro).

The amount of the compensation which, for blue-collar workers is strictly the same as that of the ordinary supplement, is closely comparable for white-collar workers : 80 per cent of the monthly wage up to a limit of Lire 300 000.

The Ministerial Order which declares that a state of economic crisis exists in a sector or geographical area, or which recognises that a firm is being restructured, reorganised or converted, is valid for six months, the maximum period for which the special earnings supplement can normally be paid. However, this can be extended to one year, by periods of three months, by Ministerial Order.

Where a firm is being restructured, reorganised or converted, payment of the earnings supplement for more than one year can be authorised by a further Order after it has been verified that the recovery programme is duly being implemented.

Recourse to the possibility of authorising an extension in compensation has frequently been made in recent years, in both cases.

c) The earnings supplement for farm workers

The earnings supplement for farm workers applies to permanent labourers and occasional labourers who work more than 180 days per year in the same establishment in respect of days of lay-off (sospensione dal lavoro) because of bad weather or any other reason attributable neither to the employer nor to the employee. The payments are made, under the INPS, by the Earnings Supplement Fund for Workers in Farm Establishments (Cassa per l'integrazione dei salari degli operai dipendenti da imprese agricole).

The compensation for days lost is 80 per cent of the farm wage in the province set by Ministerial Order on the basis of the average contractual wage.

The maximum duration for compensation is 90 days per year.

2. Compensation for the wholly unemployed

The system of compensation for the wholly unemployed (Assicurazione obbligatoria per la disoccupazione involontaria) is also very complex. Construction workers and, subject to certain restrictive conditions, workers in industry qualify for special benefit which is very advantageous in comparison with the ordinary allowance payable to other blue-collar workers in non-farm enterprises. Farm workers have their own compensation scheme.

a) The ordinary compensation scheme

To qualify for the ordinary compensation scheme for being wholly unemployed, the person concerned must :

i) Be unemployed, i.e. be over 14 years of age and have registered with a provincial employment office (Ufficio di collocamento) ;
ii) Have been registered as an employee (blue- or white-collar worker) for a minimum of two years in a non-farm enterprise and actually have worked for at least one year during that two-year period.

The allowances, which may be received for a maximum period of 180 days, currently amount to Lire 800 per day. During the period of compensation, the INPS pays the social security and old-age insurance contributions of the person concerned in his stead, these contributions being three to four times greater than the allowances (ranging from about Lire 2 500 to 3 000).

b) The special unemployment benefit for blue-collar workers in industry

This special compensation scheme is reserved for blue-collar workers in industrial firms which, because of the introduction of new technological processes (but not because of market developments), have been forced to make cuts in their workforces.

The special allowance is paid by Order of the Ministry of Labour and Social Insurance after it has been duly confirmed that the conditions for granting entitlement are satisfied.

The allowances amount to 60 per cent of the previous wage. The duration of compensation, which is normally 180 days, can be extended by 90-day periods by Ministerial Order.

c) The special allowance for construction workers

Workers in the construction sector have a special compensation scheme. The allowances amount to 66 per cent of the previous wage and are payable over a 90-day period.

d) Unemployment compensation for farm workers

To qualify for unemployment benefit, farm workers must have worked, during the two preceding years, at least 102 days in a farm establishment. Payment of the benefits in respect of days not worked during a given year is made after the end of that year. The number of days compensated equals the difference between 270 days, representing a full year of employment, and the number of days actually worked, up to a maximum of 180 days.

The amount of compensation depends on the number of days worked :

- If the number of days worked is greater than 150, the allowance is 66 per cent of the farm wage in the province set by Ministerial Order on the basis of the average contractual wage.
- If the number of days worked is less than or equal to 150, but greater than 100, the allowance is 40 per cent of the farm wage in the province, as above.
- If the number of days worked is less than or equal to 100, the allowance is Lire 800 per day.

From this short description of the Italian system of compensation for the wholly and the partially unemployed, it can be seen that compensation for partial unemployment, when payable, is far more advantageous to workers who not only keep their jobs but also receive larger allowances.

From this standpoint, the Italian system is very far from showing the neutrality of the German system. Purely from the standpoint of compensation, it probably tends to substitute a certain volume of partial unemployment for "full" unemployment to an extent that will vary according to how freely the conditions a firm must satisfy in order to be able to have recourse to compensation for partial unemployment are interpreted.

## II. STATISTICAL ASPECTS

As regards figures for the partially and the wholly unemployed Italy has :

- first, official data compiled and published by the Ministry of Labour and Social Insurance and by the INPS ;
- secondly, the findings of the labour force survey (Rilevazione delle forze di lavoro) carried out each quarter by the Central Statistical Institute (Istituto centrale di statistica - ISTAT) on a sample of 124 000 families.

### 1. Statistics of the Ministry of Labour and the INPS

The Ministry of Labour and Social Insurance compiles and publishes figures on the number of persons registered with employment offices at the end of each month. These registers comprise five categories of persons : (1) those without a job who have already worked ; (2) first job-seekers ; (3) women at home seeking a job for the first time ; (4) retired persons seeking employment ; (5) employed persons seeking another job.

As a rule, the sum of categories (1) and (2), which in recent years have accounted for over 90 per cent of the total, is used as a measure of unemployment. This figure does not include persons receiving compensation for partial unemployment, whether this was in the form of a reduction in working hours or of a lay-off, the point being that since the contract of employment has not been terminated, persons registering with an employment office in order to look for another job would be included in category (5).

In addition, the INPS publishes statistics of partially unemployed persons receiving benefit : these derive from the records of hours not worked for which compensation has been authorised.

2. The labour force sample survey

In the survey carried out each quarter by ISTAT, three types of question are used to determine whether persons should be classified as wholly or partially unemployed :

The first question relates to the "status" (condizione) of the person. The possible answers are :

1 - employed (occupato) ;
2 - seeking another job (ricerca nuova occupazione). This heading covers persons who have lost their jobs ;
3 - seeking a job for the first time (in cerca di prima occupazione) ;
4 - on military service (servizio di leva) ;
5 - housewife (casalinga) ;
6 - student (studente) ;
7 - unfit for work (inabile al lavoro) ;
8 - retired ;
9 - other.

The second set of questions relates to the number of hours worked during the reference week : (a) in all the activities which represent sources of income for the person concerned or his family ; (b) in the main activity only. In the second case, if the number of hours worked is less than 40, the reason for the reduction in hours must be stated :

01 Sickness or maternity
02 Industrial dispute
03 Leave or public holidays
04 Bad weather
05 The job was started or terminated during that week
06 Contract of employment or working conditions
07 Seasonal reason
08 Reduction in the firm's activity (including periods for which the Cassa has paid the earnings supplement)
09 Was not able to find work for longer hours
10 Did not wish to work for longer hours
00 Other reason

The third group of questions relates to the search for employment :

- Are you actively looking for a job ?
- How long have you been looking for a job ?
- What concrete action have you taken to find a job ?
- When did you last take concrete action to find a job ?

In the ISTAT's quarterly survey the following persons are classified as unemployed (persone in cerca di occupazione) : persons stating that they are in search of employment

(in answer to the first question or the third group of questions) and who :

- have not worked, even for one hour, during the reference week,
- and who have not stated that they are "employed" (in answer to the first question).

It may be considered that in the ISTAT sample survey workers in partial unemployment usually state that they are "employed" in reply to the question concerning their "status".

In the statistics, these persons, when they have worked less than 26 hours during the reference week and have given one of the following reasons for such a reduction in work : 04 - bad weather ; 07 - seasonal reason ; 08 - reduction in the firm's activity (including periods for which the Cassa has paid the earnings supplement) ; or 09 - was not able to find work for longer hours ; are classified in the category of "underemployment" (sotto-occupazione). The length of time worked during the reference week makes it possible to identify among these workers those who were laid off for the whole week. However, it may happen that a person in this position states in reply to the first question not that he is unemployed, but that he is looking for another job : if so, he is classified as wholly unemployed and not as partially unemployed.

# VIII

## LUXEMBOURG

### I. THE INSTITUTIONAL FRAMEWORK

Luxembourg has both a system of compensation for partial unemployment, set up by virtue of the Act of 26 July 1975 authorising the government to take steps to prevent redundancies and maintain employment, and a compensation system for the wholly unemployed. Both schemes are managed by the Administration de l'emploi, an agency which is also responsible under the Ministry of Labour and Social Security, for vocational guidance and placement.

#### 1. Compensation for partial unemployment

The Luxembourg system of compensation for partial unemployment, like those of Germany and Denmark, has the special feature of being entirely neutral from the standpoint of the choice open to firms forced temporarily to reduce their activity, between shorter daily working hours and temporary lay-off. For example, in the case of a 25 per cent reduction in the volume of work, a firm's employees may have to work 6 hours a day (reduction in hours) or three weeks in four (lay-off). However, for compensation to be paid the reduction in time worked must not exceed 50 per cent of normal monthly working hours.

Compensation mechanisms are based on the payment by the Ministry of Labour of subsidies to employers who, rather than dismiss employees, agree to maintain the legal link between employer and employee and to pay their staff an allowance to compensate for loss of earnings due to short-time working.

To enable workers to receive compensation for short-time working, a number of general and specific conditions must be satisfied.

The general conditions concern the economic sector to which the firm belongs :

- it must be established that because of a slump in orders activity in the sector has significantly

declined compared with the average for the previous three years and that a substantial decrease in labour requirements is to be expected ;
- Difficulties in the sector must be essentially cyclical in origin and of a temporary nature ;
- The foreseeable trend must be for business to return to normal, ensuring restoration of full employment within a reasonable period of time.

As regards the conditions specific to the firm itself, it must be established that after consultation with its employees it has exhausted all possibilities of maintaining the normal level of employment with its own resources.

The general conditions triggering compensation for short-time working are assessed by the Ministers of Labour, the Economy and Finance who, after consulting a tripartite committee on the state of the economy, determine the economic sectors which correspond to these criteria. The Minister of Labour then decides whether a particular firm which has applied to the National Labour Office for subsidies is eligible.

The Act of 24 December 1977 extended the system of compensation for partial employment to cover firms faced with structural difficulties or obliged to make capital investments in order to rationalise their activity.

Compensation is usually paid for a maximum period of six months (1), but the authorities may extend this by six-month periods subject to careful examination of the firm's economic situation and after consultation with the committee on the state of the economy. These extensions, which were originally supposed to be exceptional, have now become the rule.

To qualify for benefit, employees on short time are not obliged to register with employment services.

Compensation for partial unemployment is paid at the same rate as compensation for the wholly unemployed, i.e. 80 per cent of previous gross earnings, a ceiling for benefit being set at 250 per cent of the "social minimum wage" (2). However, the first eight hours of partial

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1. The Minister of Labour's decision that a firm is eligible is valid for one month but may be renewed month by month during a period of six months.

2. The "social minimum wage", instituted by the Act of 12 March 1973 as amended by the Act of 23 December 1976 fixes the statutory minimum wage level. So that the lowest-paid workers can share in the fruits of the country's economic development it is automatically adjusted not only to keep pace with the cost of living (measured

(continued on next page)

unemployment each month (representing a little under 5 per cent of the monthly wage) may not be compensated, since the State takes responsibility for compensation (by reimbursing employers through subsidies) only after the first 16 hours of unemployment each month. These first 16 hours are covered jointly by employer and employee at a rate to be agreed between the parties (the employee's share cannot exceed 8 hours per month).

In spite of this slight restriction on compensation for partial unemployment, the possibility of having recourse to short-time working rather than redundancies is still advantageous both to firms and to workers when activity is reduced temporarily, and even for a prolonged period.

Alongside compensation for partial unemployment for economic reasons, there is a compensation scheme in the building and public works sector for loss of working hours attributable to bad weather conditions during the period 16 November - 31 March. The rate of compensation is the same as that for partial unemployment in the strict sense of the term (3), i.e. 80 per cent of gross earnings, with a lower ceiling, however (180 per cent of the social minimum wage). State responsibility is restricted to payment of 300 hours per employee per winter, but the government may raise this ceiling to 500 hours if there are exceptionally long periods of very severe weather.

The "anti-recession division" of the steel industry

An Act dated 8 June 1979 permits the use of the unemployment fund to help to maintain the contractual employer-employee link in the case of steelworkers made redundant by restructuring and modernisation of the industry. These workers are assigned to the steel industry's anti-recession division and perform maintenance work, either for the industry itself or in the general interest. In this last instance, the unemployment fund meets a fraction of the remuneration paid, up to a ceiling of 15 per cent of total wage costs per worker.

A law of 1 July 1981, designed to encourage the restructuration and modernisation of the steel industry, raised the rate of assistance for the years 1980, 1981

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(Note 2 continued)
by the weighted consumer price index) but also when warranted by trends in general economic conditions and incomes. As at 1 September 1981 the social minimum wage was LF. 21 999 per month, corresponding to the index 346.65.

3. The system of hours to be paid jointly by employer and employee is also the same.

and 1982 and introduced a decreasing scale of benefits from the anti-recession division for the period 1 January 1980 to 31 December 1983, as follows :

20 % for 1980
18 % for 1981
16 % for 1982
14 % for 1983

However, as an exceptional supplementary and temporary measure the rates of assistance planned for 1981 (18 per cent) and 1982 (16 per cent) were raised by 80 per cent for the period 1 July 1981 to 30 June 1982, within a ceiling of 600 million francs for the extra expense incurred by the unemployment fund.

2. Compensation for the wholly unemployed

In Luxembourg the system of compensation for the wholly unemployed applies to all wage-earners and also to self-employed persons who have had to give up their business because of economic difficulties and are looking for paid employment. As in many other countries, young people looking for a first job may also, in certain circumstances, benefit under the system.

Conditions of entitlement

To qualify for compensation, the persons concerned must satisfy two types of conditions : qualifying requirements and eligibility requirements.

a) Qualifying requirements

To qualify for benefits, the unemployed worker must prove that he was in paid employment on Luxembourg territory for at least 26 weeks during the 12 months prior to registering as seeking work (4). Self-employed persons need not satisfy this condition as long as they register as seeking employment within three months of ceasing their activity. Young people are also exempted, provided they register as looking for a job within 12 months after the end of their training and are under 21 on the day they register. This age limit is extended to 23, 25 or 28 according to claimants' studies and qualifications. Entitlement begins 26 weeks after registering as seeking employment for

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4. Part-time work gives entitlement to unemployment benefit provided the claimant has worked regularly at least 20 hours a week.

those having undergone certain forms of training (5) and 39 weeks after for other claimants.

b) Eligibility requirements

To be eligible for benefits, a worker must :

i) Have lost his job involuntarily. He must not have been dismissed for misdemeanour or resigned without legitimate cause.
ii) Be registered at an official employment office and prepared to accept immediately any suitable job ("zumutbare Beschäftigung").

It is worth noting that Luxembourg, unlike many other countries, continues payment of unemployment benefit in the event of sickness or maternity during a period of unemployment.

iii) Be fit for work.
iv) Be aged at least 16 and at most 64 and not receiving retirement or old age pension.
v) Be domiciled in Luxembourg.

Amount and duration of benefits

Benefits are due from the first day of unemployment, without any waiting period. They are normally paid for a maximum period of one year. They may be extended, by decision of the National Employment Commission, for a maximum period of 6 months in the case of persons who have special difficulties in finding work because of their age, physical or mental deficiency or other serious cause.

Unemployment benefits amount to 80 per cent of previous gross earnings, with a ceiling related to the length of the compensation period :

- 250 per cent of the social minimum wage (6) (i.e. LF. 52 328 per month at 1 April 1981) for the first 6 months ;
- 200 per cent of the social minimum wage for the next 6 months ;
- 150 per cent of the social minimum wage if the compensation period is extended beyond one year.

For young people looking for a first job the amount of benefit is 70 per cent of the social minimum wage

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5. Certain types of occupational training or educational level higher than the 9th year of compulsory studies.
6. See note 2 on the "social minimum wage", page 108.

(which is lower for workers under 18). This rate is reduced to 40 per cent for 16- and 17-year-olds who have not succeeded in passing an end-of-apprenticeship examination or obtained a leaving certificate from an intermediate or secondary school.

Self-employed persons receive benefit at a flat rate (80 per cent of the social minimum wage).

The amount of earnings from any casual work during a benefit period is deducted in entirety from the unemployment benefit paid.

Unemployment benefit is subject to tax and social security charges in the same way as wages.

Early retirement

The Act of 24 December 1977 which instituted an obligatory early retirement scheme was replaced in 1980 by a system of voluntary early retirement. This became operative for steelworkers as from 1 March 1980. Its extension to other sectors is subject to the adoption of statutory measures.

Pre-retirement benefit may be drawn for the three years preceding retirement age. It is degressive in amount : 85 per cent of previous gross earnings during the first year, 80 per cent during the second and 75 per cent during the third. The ceiling is set at 400 per cent of the social minimum wage.

A worker who has been granted pre-retirement benefit may not take a job.

## II. STATISTICAL ASPECTS

Luxembourg, like most other countries, has two sources of information on the wholly unemployed and the partially unemployed : first, administrative data compiled monthly by the Administration de l'emploi ; and second, the household survey on the labour force carried out every two years by the Service central de la statistique et des études économiques, (STATEC) /Central Service of Statistics and Economic Studies/ in the context of the European Communities' statistical programme.

### 1. The statistics of the Administration de l'emploi

Official unemployment statistics consist of the applicants for employment series compiled monthly by the

Administration de l'emploi. This series groups all unemployed persons seeking full-time employment (7) who are available and registered at an official placement office. Persons laid off (i.e. those whose contractual link with their employer has not been broken) are not obliged under the system of compensation for partial employment to register at an Administration de l'emploi office and therefore are not included in this series.

The Administration de l'emploi also publishes a series of statistics on compensation for the wholly unemployed.

Monthly statistics on partial unemployment, giving the number of persons drawing benefit and the corresponding number of hours compensated, are also established by the Administration de l'emploi. In addition, a global assessment is made of the annual volume of partial unemployment (expressed in wholly unemployed equivalents). These statistics do not allow any distinction to be made between the different forms that partial unemployment may take (reduction in daily hours worked or temporary lay-off).

2. The labour force sample survey

Luxembourg takes part regularly in the Labour Force Survey organised by the Statistical Office of the European Communities. The first survey took place in 1960, and since 1971 the exercise has been repeated regularly every two years (8). It is carried out by the Central Service of Statistics and Economic Studies (STATEC) on a sample of some 10 000 households (a sampling ratio of the order of 10 per cent). Sampling is based on the tax census carried out on 15 October each year by the national tax authority. STATEC forwards the collected data to the Statistical Office of the European Communities without processing them at national level.

In line with the EEC rules, the Labour Force Survey classifies as unemployed persons who state at the same time :

i) In reply to a question as to their activity, that they are "unemployed after losing their job" or "unemployed, looking for a first job". Persons seeking employment after a period of voluntary inactivity (in particular, women who wish to start working again after bringing up their children) must be classified under the second heading.

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7. Working for not less than 20 hours per week.
8. Exceptionally, Luxembourg did not participate in the 1968 survey.

ii) In reply to a subsequent set of questions, that they are seeking paid employment (even if, in practice, they have not yet started to do so), or that they have found employment that will commence at a later date, and are no longer seeking work.

It will be noted that persons who spontaneously class themselves in a non-active category (housewife or person looking after the home, student, pupil, retired, pensioner, living on private means) in reply to the question on their activity, are not included in the unemployment figure, even if they declare at a later stage of the interview that they are seeking paid employment.

According to these rules, persons who have worked short hours during the reference week owing to partial unemployment are classified as in employment. They can be identified by means of a set of questions :

- A question on the number of hours worked in the person's principal activity during the reference week.
- A question designed to determine whether the number of hours worked constitutes normal hours.
- If this is not so, a question on the reasons for working shorter-than-normal hours. One of the possible reasons is as follows :

"Technical, climatic or economic reasons" and this corresponds to partial unemployment.

One element of uncertainty is the classification of persons temporarily laid off during the whole of the reference week. Given their legal status, i.e. continuance of the work contract and direct payment by the employer of compensation for the hours not worked, it seems likely that, in answer to the question on their activity situation, they will reply that they are in employment. In that case they will be classified as employed. If, however, they state that they are "without employment after losing their job", they will be counted as unemployed provided that they are seeking employment.

# IX

## THE NETHERLANDS

### I. THE INSTITUTIONAL FRAMEWORK

In the Netherlands, compensation for partial unemployment is based on principles no different from those of compensation for the wholly unemployed. In fact, legal provisions for compensation for the wholly unemployed have, by common agreement between the parties concerned, been interpreted in such a way as to permit compensation for partial unemployment in whatever form. The result, as in Germany, is a system that is relatively neutral from the standpoint of the choice which can be made, according to circumstances and production techniques, between the various ways of reducing the volume of work : reduction in daily hours worked, temporary lay-off or dismissal.

#### 1. Compensation for the wholly unemployed

The system of compensation for the wholly unemployed is governed by three separate texts : the Unemployment Insurance Act, the Unemployment Provisions Act and the State Group Regulations for Unemployed Persons. The three schemes are complementary from the standpoint of scope and benefit period.

a) The Unemployment Insurance Act (Werkloosheidswet-W.W.) applies to workers in the private sector who find themselves involuntarily unemployed.

##### Qualifying requirements

In order to qualify for benefits under this scheme, the claimant must have been employed by a private sector firm for at least 130 working days (i.e., half a working year) during the year immediately preceding the first day of unemployment.

It will be noted that because of this rule young people who have not found a job once they have finished their training are not entitled to benefit under this scheme.

Eligibility requirements

To be eligible for benefits, the claimant must :

i) Have lost his job involuntarily. This is the principal condition. Evidence is usually provided in the form of the dismissal authorisation for which the employer has to apply to the administration in charge of labour questions.
ii) Be looking for work. This entails registering at an employment office and being prepared to accept any suitable job offered.
iii) Be available for work. This provision excludes, in particular, persons drawing sickness benefit.
iv) Be fit for work.
v) Be aged under 65 or under the retirement age for the occupation concerned.

The amount of daily benefit is set at 80 per cent of previous gross earnings. At 1 January 1981 minimum benefit was Fl. 123.33 for single persons or those belonging to a household with no other resources, and maximum benefit was Fl. 239.99.

These benefits are paid from the first day of unemployment, with no waiting period, and may be drawn for a maximum period of 26 weeks. For the first 40 days they are paid by a fund administered by the social partners, and after that the general tripartite unemployment insurance fund takes over.

If the recipient has not found a job by the end of the 26-week compensation period, compensation continues under the terms of the Unemployment Provisions Act.

b) The Unemployment Provisions Act (Wet Werkloosheidsvoorziening - W.W.V.)

This scheme is not, strictly speaking, an unemployment insurance scheme but rather a public assistance measure administered by the municipalities. It differs from the preceding scheme as regards three main points :

- its scope, which is wider ;
- its qualifying requirements, which are less restrictive (except in the case of married women) ;
- its compensation period, which is longer.

Qualifying requirements

As for the preceding scheme, in order to qualify for benefit a claimant must have been employed for at least 130 days (i.e., half a working year) during the year preceding the first day of unemployment. This employment,

however, need not have been in the private sector but may equally well have been in the civil service or the public sector.

Young people who have not found work once they have finished their education are thus excluded from benefit under this scheme too.

Eligibility requirements

The first requirement as to loss of job still applies, but is less restrictive than in the system described above. The claimant may have left his employment of his own free will, or even have been dismissed for misconduct. If, for instance, he resigns his job, he will be entitled to benefit. On the other hand, married women with no family responsibilities are excluded.

The other requirements still apply (in particular, registering at an employment office).

The amount of daily benefit under this scheme is 75 per cent of previous gross earnings with (at 1 January 1981) a minimum benefit of Fl. 116.71 for single persons or those belonging to a household with no other resources. Maximum benefit is the same as for the scheme described above (Fl. 239.99). Benefit is payable for two years. In addition, a person who is still receiving benefit at the age of 60 may continue to do so until he is 65.

If the person concerned is still unemployed at the end of the compensation period under the Unemployment Provisions Act he may, if he meets the requirements as regards resources, claim benefit under the State Group Regulations for Unemployed Persons.

c) The State Group Regulations for Unemployed Persons (Rijksgroepsregeling Werkloze Werknemers - R.W.W.)

This is, strictly speaking, a public assistance scheme run by the municipalities. It is subject to resource conditions and gives entitlement to a flat-rate benefit.

Conditions of entitlement

In order to qualify for this assistance, a claimant must :

1) Be unemployed. It is not necessary, as for the two preceding schemes, to have lost one's job, so that the scheme gives entitlement to benefit to young people who have not found work on leaving

the education system and to women who have never been in paid employment, provided always that the resource criterion is satisfied.

ii) Be looking for work. As in the schemes described above, this entails registering at an employment office and accepting any suitable job offered. Requirements as to availability, fitness and age (a claimant must be under 65) are also the same.

iii) Be without resources. Generally speaking, this means that the resources of the household to which the claimant belongs (e.g. husband's or wife's wages, parents' retirement pension, etc.) must not exceed the minimum wage.

Benefit is paid at a flat rate proportional to the minimum wage. For a single person, it is equivalent to 70 per cent of the minimum wage. When the claimant belongs to a household with no other resources, benefit is equivalent to the minimum wage which, at 1 January 1981, amounted to Fl. 1 882.40 per month for adults aged over 22, with proportional reductions for younger persons.

Benefits under the State Group Regulations for Unemployed Persons are payable indefinitely up to the age of 65.

When the unemployed person belongs to a household whose resources are less than the minimum wage, the amount of these resources is deducted from unemployment benefit.

2. Compensation for partial unemployment

In the Netherlands compensation for partial unemployment is based not on specific legal provisions but on a liberal interpretation of the regulations governing compensation for the wholly unemployed. This system makes it possible to pay compensation both when there is a reduction in daily hours worked (werktijdverkorting) and in cases of temporary lay-off (onderbrekingswerkloosheid). Like the German system (which it resembles), the Dutch scheme is neutral as to the various forms that a temporary reduction in the volume of work may take.

To enable his workers to receive compensation, the employer must apply to the regional employment office for authorisation to reduce working time, specifying the form this reduction will take (weekly working hours reduced to less than 48 hours or weeks worked alternating with weeks not worked). A number of conditions must be met. In particular :

- The volume of activity for the firm as a whole must have been reduced to an abnormally low level ;

- The causes of reduced activity must not be included in normal operating risks - for instance, the reduction must not be seasonal ;
- The reduction of activity must be temporary.

Some 20 per cent of applications are refused. Compensation for short-time working is normally paid for a maximum period of 6 weeks, but may be extended, and this facility is being used more and more frequently. Employees receive their normal wages for the hours worked, plus the fraction of unemployment benefit corresponding to the reduction in the number of hours worked compared with those normally worked. Hours not worked are thus compensated at a rate of 80 per cent, as in cases where workers are wholly unemployed (Werkloosheidswet). The employer usually makes up the remaining 20 per cent, and is sometimes obliged to do so under the terms of collective agreements. The Dutch system of compensation for short-time working is thus very favourable to the workers who are able to protect their job and, in most cases, their wage. At the same time, it has advantages for employers, who are able to keep their work force intact and avoid the expenses involved in dismissals followed by re-hiring.

Administrative procedures differ according to whether employees work short-time or are laid off for the whole period specified by the employer (up to 6 weeks). Where the hours worked are reduced (werktijdverkorting) it is the employer who declares the number of hours not worked to the employment office and receives the amount of compensation for short-time working, which he then pays to the employees, generally making up the difference between this unemployment benefit and the full previous wages. Workers on short time are not obliged to register with employment services. In cases of lay-off (onderbrekingswerkloosheid), claimants must register as seeking employment and compensation is paid to them directly.

Both the Unemployment Insurance Act and the Unemployment Provisions Act allow for compensation to be paid for unemployment due to bad weather (cold, snow or floods). Unemployment here usually takes the form of temporary lay-off. The benefit paid by the relevant authority is usually supplemented by the employer to bring it up to the level of the previous wage.

## II. STATISTICAL ASPECTS

The Netherlands has two sources of statistical information on total and partial unemployment : first, the official data compiled monthly ; and second, the household sample survey on the labour force conducted every two years in the context of the statistical programme of the European Communities.

1. Administrative sources

There are two official statistical series. The first, compiled by the employment offices where unemployed persons register, deals with registered unemployment ; the second, based on the data provided by the agencies which pay benefit, covers unemployed receiving benefit.

The official series on unemployment, published monthly by the Centraal Bureau voor de Statistiek, comprises the unemployed registered at employment offices (Ministry of Social Affairs). The series includes all persons without work (including students, housewives, etc.) who are immediately available and registered as seeking employment for at least 25 hours per week. Temporary lay-offs are treated differently according to whether the contract of employment has been suspended for economic or climatic reasons. Persons who have not worked at all during the period for which the employer has obtained an authorisation for short-time working ("zero hour workers") are classified as unemployed (1) whereas those who have been laid off because of bad weather are, on the contrary, not included among the registered unemployed.

Monthly statistics of partial unemployment based on the declarations made to employment offices by employers who have obtained an authorisation for short-time working are also published. This series relates to both the number of employees concerned and the number of hours not worked. No distinction is made between the ways in which the volume of work is reduced (reduction in daily hours worked or temporary lay-off for whole periods).

Statistics of unemployment compensation paid are compiled by the Centraal Bureau voor de Statistiek from figures provided by the agencies responsible for paying benefit (professional associations when compensation is paid under the terms of the Unemployment Insurance Act, offices run by local authorities in other cases). One series covers the wholly unemployed (including "zero hour workers) and another partial unemployment expressed in man-years (2). Compensation paid because of unemployment due to bad weather is classified separately.

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1. So far the number of "zero hour workers" has been negligible - a few score at most.

2. In reality, the situations covered by the term "partial unemployment" differ depending on the compensation scheme involved. Where the provisions of the Unemployment Insurance Act apply, the statistics do actually cover people who, because of economic difficulties, are working on short time in a full-time job. In the case of the Unemployment Provisions Act, those covered are persons who have more than one part-time job and are receiving benefit for unemployment in one of these jobs.

## 2. The Labour Force Survey

The Labour Force Survey (Arbeidskrachtentelling) has been carried out every two years since 1973. It is conducted between March and June by the Centraal Bureau voor de Statistiek in the context of the statistical programme of the European Communities (3). The 1981 survey covered some 250 000 households, a sampling ratio of 5 per cent.

As laid down in the EEC instructions, the survey classifies as unemployed any person who states the following simultaneously :

i) In reply to a question on employment status, that he or she is in one of the following positions : is unemployed after losing a job ; is looking for a first job ; or is a housewife who previously had a job.
ii) In reply to a further set of questions, that he or she is seeking paid employment (even if the search for a job has not yet, in fact, begun) ; or that he or she has found a job which will start later.

It will be seen that housewives who have never been in paid employment and people who reply spontaneously at the beginning of the interview that they are not in the labour force (students, retired persons, etc.) are not included in unemployment figures, even if they state later that they are looking for paid employment.

In accordance with these rules, persons who have worked short-time during the reference week are classified as having a job. They can be identified by means of a set of questions :

- A question on normal working hours : "How many hours a week do you work according to your contract of employment ?" ;
- A question concerning the reference week : "During the past week, have you worked fewer hours than normally provided for under your contract of employment ?". If the answer is "Yes", the respondent is asked to give reasons. One of the suggested replies ... - slowdown in business (Bedrijfsslapte) corresponds to short-time working.
- A final question on hours worked during the reference week enables the interviewer to check the consistency of the replies on the previous points.

There is one uncertain point with regard to the classification of persons laid off during the whole of the

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3. The Netherlands also took part in the 1960 and 1968 EEC surveys.

reference week. Those responsible for the survey consider that these persons will normally reply that they have a job when answering the question on their employment status, in which case they will be classified as employed (4). If, on the other hand, they state that they are looking for employment after losing a job, they will be classified as unemployed. Because compensation procedures demand that they register as seeking employment, this last type of reply is possible, if not probable, for employees who have been laid-off for the entire period authorised ("zero hour workers"). It is true, however, that the number of these workers is still negligible.

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4. The reply "has a job" to the question on employment status is never modified, even if the number of hours worked during the reference week is zero.

# X

## THE UNITED KINGDOM

### I. THE INSTITUTIONAL FRAMEWORK

In the United Kingdom, compensation for the wholly unemployed and compensation for the partially unemployed come under three different schemes :

1. Temporary Short-Time Working Compensation Scheme

Under the terms of the Temporary Short-Time Working Compensation Scheme, which was introduced in April 1979 and is one of the special measures being used to combat high unemployment, employers may claim reimbursement for retaining their workforce on short time rather than make them redundant. Compensation takes the form of repayment by the government to the employer of 50 percent of a normal full day's wages for each day on which no work is provided. During the 9-month period in which reimbursement may be paid the employer is expected to take steps to ensure the future viability of those affected jobs.

2. Guaranteed payments

Apart from the scheme mentioned above compensation for short-time working in effect is confined to that for laid-off persons : for compensation to be paid, the reduction in time worked must necessarily be in the form of a "suspension" during whole days, a reduction in daily hours worked not giving entitlement to compensation (1). Partial unemployment will therefore only in very exceptional cases take the latter form in the United Kingdom.

Under the terms of the 1975 Employment Protection Act, in the event of a reduction in the volume of work offered by a firm,the employees affected receive from the employer, for each whole day of work lost, guaranteed payments of an amount equivalent to their normal daily

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1. Unless provided for in the collective agreement.

wage. Payment of these allowances is currently limited to the first five days of work lost in any period of three months and their amount cannot exceed £ 8.75 per day. These limits, which are laid down by law, are reviewed each year. The allowances are borne by the employer who receives no compensation.

For periods in excess of the five days in the rolling quarter that are compensated, workers suffering a reduction in working time are covered by the normal unemployment provisions and can claim unemployment benefit.

3. Unemployment benefit for the wholly unemployed

Compensation for the wholly unemployed is part of the National Insurance Scheme. There are two types of unemployment allowance : flat-rate benefits and the earnings-related supplement introduced by the National Insurance Act of 1966. Earnings-related supplement is being phased out from 4 January 1982 and will not be paid after 30 June 1982.

To qualify for flat-rate benefits, the persons concerned must satisfy the following conditions : they must

i) be unemployed ;
ii) be capable and available for work (2) ;
iii) be free from disqualification (a person can be disqualified for receiving benefit for up to 6 weeks for a number of reasons, e.g. if he leaves employment voluntarily without just cause or loses it because of his misconduct or refuses a job without good cause) ;
iv) show that they have paid a certain amount of employees' social security contributions (Class 1 contributions). This a two-fold condition

- In any one tax year since 6 April 1975 persons must have paid contributions amounting to at least 25 times the amount of the contribution payable on the weekly lower earnings limit for the tax year concerned (3).

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2. Availability is normally shown by registration for work with an office of the Employment Services Division but the government is currently considering a recommendation of a recent report to dispense with compulsory registration. The government sees a very strong case for abolishing the statutory requirement on unemployed adults to register for employment but is consulting the Manpower Services Commission and the public generally before taking a firm decision.

3. Below this wage (weekly lower earnings limit), Class 1 contributions are not payable. For the 1979-80 tax year the limit was £ 19.50 per week.

Persons insured before 6 April 1975 who before then paid at least 26 contributions are treated as having satisfied this condition.

- During the tax year (ended 5 April) preceding the current period of unemployment they must have paid or been credited with (in respect of previous periods of unemployment) contributions amounting to at least 50 times the contribution payable on the weekly lower earnings limit. This gives entitlement to the full allowance. Contributions of between 25 and 50 times that payable on the weekly lower earnings limit give entitlement to a reduced allowance.

v) Married women must have opted to insure themselves against unemployment.

The flat-rate benefit has been £ 20.65 per week since 27 November 1980 (£ 22.50 from 26 November 1981). Additional allowances are provided for : £ 12.75 per dependent adult and £ 1.25 per dependent child.

The benefit is only paid from the fourth day of unemployment (or inability to work) in periods separated by more than 8 weeks : the period of waiting days is therefore three days. In addition, periods during which there were fewer than two days of unemployment or inability to work over a period of six consecutive days, excluding Sundays, are not considered to be periods of unemployment (the two-in-six-days rule). The benefit is not paid for days when the person concerned would not normally have worked, unless his work was interrupted for the whole of the week.

Subject to these restrictions, flat-rate benefits can be paid for a maximum of 312 days, excluding Sundays.

To qualify for the earnings-related supplement, additional conditions must be satisfied : the persons concerned must :

i) Be under 65 for men, or under 60 for women, and be entitled to flat-rate benefit.
ii) Have paid during the reference tax year contributions corresponding to more than 50 times the contribution for the weekly lower earnings limit (see above).

When these conditions are satisfied, a supplement to the flat-rate benefit, calculated on the basis of the amount of wages on which contributions were paid during the reference tax year (earnings-related supplement), is paid. This proportional supplement is equal to one-third of the weekly reference wage for the portion between £ 19.50 and £ 30 and to 10 per cent of it for the portion between £ 30 and £ 135. The sum of the flat-rate benefit, including allowances for dependants, and the earnings-

related supplement cannot exceed 85 per cent of the weekly reference wage. If the flat-rate benefit alone exceeds 85 per cent no supplement is payable but flat-rate benefit is paid in full. The supplement to the flat-rate benefit is only paid from the 13th day of unemployment defined as above. It is paid for a maximum of 156 days, excluding Sundays.

For the laid-off or short-time worker

Unemployment benefit is not payable for any day for which a person is entitled to payment under the short-time working and guarantee payment schemes (including collective agreements) at 1 and 2 above. Such days of entitlement do not count towards the first 3 non-payable waiting days at the start of an unemployment benefit claim. (Waiting days apply to claims more than 8 weeks apart).

Several rules operate to limit the amount of flat-rate benefit and earnings-related supplement which can be paid to those on short time or laid off. The two main rules which have this limiting effect are as follows :

i) Limiting the payment of unemployment benefit for periods of under a whole week of lay-off to the days which the person concerned would normally have worked, restricts abuses and only introduces a slight difference in treatment as between the wholly unemployed (who are paid compensation on the basis of six days per week) and laid-off persons.

ii) On the other hand, the rule according to which, for laid-off persons, the first six days of suspension do not give entitlement to the earnings-related supplement and do not count towards the waiting period of 12 days, has the effect in practice of preventing the short-time worker from benefiting from this measure. This is because, in most cases, lay-offs take the form of a suspension of one, two or three days per week, or even of an alternation of one week of work with one week of suspension. None of these situations gives entitlement to the earnings-related supplement.

## II. STATISTICAL ASPECTS

The United Kingdom has three sources of information on the wholly unemployed and the partially unemployed :

- an official source in the form of data from the employment offices of the Manpower Services Commission's Employment Service Division and from the careers offices of local education authorities ;

- two statistical sources : the monthly survey of manufacturing industries in Great Britain conducted by the Department of Employment on a sample of employers, and the General Household Survey and the Labour Force Survey.

The concepts used in all these sources to classify laid-off persons are consistent : i.e. persons whose contract of employment has been suspended are considered as still having a job.

1. The statistics of the Employment Service Division

The Department of Employment excludes from the figures for the registered unemployed persons temporarily stopped by their employers who have registered at an employment office of the Employment Service Division in order to prove their claim to benefit.

The series on the temporarily stopped does not cover all laid-off persons since, because of the compensation regulations in force, workers who receive guarantee payments are not included. The official statistics of partial unemployment, termed short-time working, are derived from the monthly survey of manufacturing industries.

2. The monthly survey of manufacturing industries

The survey of manufacturing industries is conducted each month by the Department of Employment on a sample of up to 12 000 establishments (4), for the purpose of compiling statistics of employees in employment, overtime and short-time working. The series on short-time working make a distinction, in respect of the blue-collar workers concerned, only between those who were laid off for the whole of the reference week and those who worked for part of the week, with estimates of the corresponding number of hours lost.

From them it is not possible to make a distinction in the second group between workers who have suffered a reduction in daily hours of work and those who were laid off for one or several days.

3. Household sample surveys

The General Household Survey is a multi-purpose survey that has been carried out since 1971, in continuous fashion throughout the year, on a sample of some 15 000 private

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4. 12 000 establishments are sampled in March, June, September and December ; 6 000 in other months.

households in Great Britain. The Labour Force Survey is conducted, every two years in April, on a sample with a ratio of 1/200 private households in the United Kingdom, in the context of the statistical programme of the European Communities. In these surveys, as a general rule, any person who states the following is considered as unemployed :

i) that he is looking for job ;
ii) that he has not worked, even for one hour, during the reference week and that he does not have a job from which he was absent for temporary reasons.

In the Labour Force Survey there is an additional condition of availability for work ("If a job had been available, would you have been able to start work last week ?").

According to these rules, workers on short time who have worked for at least one hour during the reference week are classified as having a job. These persons can be identified by means of three questions :

- A question on the duration of work during the reference week :

  "On how many days did you work last week ?" (General Household Survey)
  "On this job how many hours did you work last week for which you were paid, including paid overtime but excluding mealbreaks ?" (Labour Force Survey)

- A question on the normal duration of work :

  "What are your usual paid weekly hours in this job, including paid overtime but excluding mealbreaks ?" (Labour Force Survey)

This question is not asked in the General Household Survey where it is assumed, the duration of work being counted in days, that a normal working week consists of at least five days.

- When the duration of work during the reference week is less than the normal duration, a question on the reasons for this difference :

  "Why did you work on less than five days ?"
  ... - Short time/lay-off (General Household Survey)
  "Why did you work fewer than your usual hours last week ?"
  ... - Short time at firm (including that due to strikes in other firms, economic and climatic reasons (Labour Force Survey)

There is one uncertain point with regard to persons laid off during the reference week. If they state that they have a job from which they were absent during the reference week, they will be classified as being in employment. On the other hand, if they omit to mention the existence of that job and state that they are looking for work, they will be counted as unemployed. In fact, because of the regulations governing compensation for short-time working, this type of reply is possible, if not probable, with respect to persons who, because they have used up their entitlement to guarantee payments, are forced to register with a local employment office of the Employment Service Division in order to be able to draw unemployment benefit.

# XI

## THE UNITED STATES

### I. THE INSTITUTIONAL FRAMEWORK

In the United States, the Social Security Act of 1935 left each state free to devise its own system of unemployment insurance provided it complied with a number of very broad guidelines which are now embodied in the Federal Unemployment Tax Act (FUTA). This has resulted in a wide variety of schemes. However, despite this fundamental difference with Canada, which has a single, federal system, the conditions governing compensation of partial unemployment in both countries are fairly similar. In both countries, a reduction in the number of hours worked per day does not usually qualify for any form of compensation. (In the United States, however, a substantial reduction in hours which leads to a substantial reduction in the weekly wage probably will qualify a worker for unemployment benefits). In the case of lay-offs, the conditions governing compensation differ from state to state and, as in Canada, this considerably limits the possibilities of using lay-offs as a form of partial unemployment (i.e. alternation of days worked with days not worked).

However, with the increasing level of unemployment both in the United States and Canada, the question of "work sharing" and compensation for partial unemployment has been brought forcibly to the attention of public opinion. The experiment in short-time compensation that the State of California began in mid-1978 was nevertheless independent of any federal initiative. In July 1979 this experiment was extended for a further two years. An experiment is scheduled to start in Arizona in January 1982.

#### 1. Compensation for full unemployment

##### A) The basic unemployment insurance scheme

The various state unemployment insurance schemes, in the framework of the Federal Unemployment Tax Act (FUTA), cover all employees : since 1978, when coverage was extended to state and local government workers and agricultural

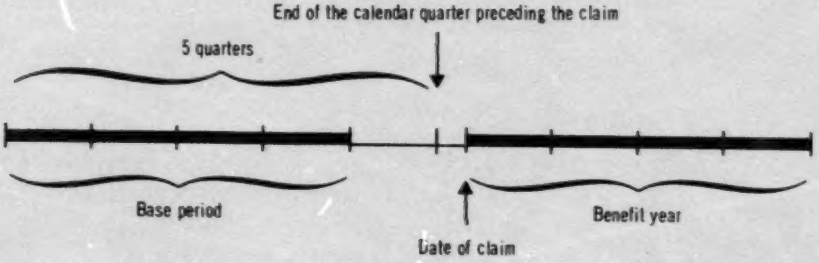
and domestic service workers, 97 per cent of all jobs are covered (1).

Conditions of entitlement

In order to qualify for unemployment insurance benefits, an employee must satisfy two types of requirement i.e. the qualifying requirements and the eligibility requirements.

a) Qualifying requirements

In order to qualify for benefits, the claimant must have belonged to the unemployment insurance scheme for a sufficient period, which is calculated in relation to a reference period of one year, termed the base period. A typical base period (used in about 30 states) is illustrated in the following diagram :




The qualifying requirements are based either on a minimum income level during the base period or on a minimum number of weeks' work during the same period or on a combination of the two, and they differ substantially from state to state. In most instances, the requirement takes the form of a minimum amount of earned income. In a good number of cases, this amount is calculated on the basis of high-quarter wages (hqw) (wages in the calendar quarter when wages were highest). The amount required may for example be 1.25 or 1.5 times the hqw, with, however, a floor.

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1. In the non-agricultural sector, unemployment insurance is compulsory for employers whose total wage bill amounted to $ 1,500 or more per quarter during the calendar year or who have employed one or more persons for at least one day per week for 20 weeks during the calendar year. Prior to 1972, the limit was set at four employees and, prior to 1966, at eight employees. Agriculture, domestic service, governmental entities, and non-profit making organisations are subject to special rules.

Some states fix an absolute level for this minimum, e.g. $ 1 000 in Alaska, $ 1 100 in California and $ 1 400 in Illinois. When the requirement takes the form of a minimum number of weeks' work, this is normally 20 or 30 weeks. The range is, however, fairly large, e.g. from 18 weeks in Michigan to 52 weeks in Florida.

b) Eligibility requirements

To be eligible for benefits, a claimant must :

i) Have lost his job involuntarily. Voluntary quits without good cause and dismissals for misconduct are disqualifying for at least some period of time, as specified in state law.
ii) Be actively looking for work. Enrolment at an employment office is considered as prima facie evidence of willingness to seek alternative employment. Refusal to accept a suitable job or undergo what is considered suitable training may lead to loss of entitlement.
iii) Be available for work.
iv) Be fit for work (physically and mentally).

Amount and duration of benefits

In cases where a waiting period is necessary before benefits are paid, this is normally one week (2). As in Canada, this waiting period applies only to the first claim made during a benefits year, i.e. if a person again becomes eligible for benefits, these are paid with effect from the first week of unemployment. Once the initial sanction of a waiting period has been applied, this provision might therefore enable benefits to be paid for periods of partial unemployment consisting of alternate days worked and not worked. As in Canada, however, any period of unemployment of less than one week does not as a general rule entitle a person to compensation (3). It is only therefore feasible to alternate days worked with days not worked in the form of complete weeks.

The weekly benefit amount (wba) depends on the claimant's earnings during the base period, subject to an upper and lower limit. In some states there is a supplementary allowance for dependants. The ceiling on benefits is

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2. Eleven states have no waiting period.
3. With the possible exception of limited amounts of work done in any one week during which benefits are paid. (The restrictions applying in this case vary from state to state, but entail a reduction in the benefit amount.) See below "Compensation for partial unemployment".

generally low, ranging from $ 84 per week (with no dependants) in Indiana to $ 215 (with dependants) in Ohio.

Three methods are used to calculate the weekly benefit amount. The one most commonly used is based on the highest quarter's earnings during the base period (high-quarter wages formula) : the weekly benefit amount is then equal to a proportion of the hqw, which ranges, for example, from 1/22 in Maine (i.e. 55 per cent of the reference wage) to 1/25 in a large number of other states (i.e. 46 per cent).

The second method uses the "average weekly wage formula". In most cases, the weekly benefit amount is equivalent to 50 per cent of this, but is as much as 55 per cent in Rhode Island, for example, and 66 2/3 per cent in New Jersey.

The last method, which is little used, is the "annual wage formula" : in Oregon, for example, the weekly benefit amount is equivalent to 1.25 per cent of earnings during the base period. Some states, however, use a weighted formula based on both the high-quarter wages (hqw) and the average weekly wage (aww) or the annual wage.

It is apparent from the various provisions reviewed above that, in the United States, unemployment benefits are equivalent to about 50 per cent of previous earnings - provided these are below ceilings which severely limit the amount of benefits payable. The supplementary allowances for dependants, being so small, do not significantly increase this percentage. However, only 60-70 per cent of claimants in recent years have received the 50 per cent wage replacement.

In the United States, as in Canada, the maximum duration of unemployment benefits is generally geared to the difficulties of finding a job. The normal benefit period under the various state unemployment insurance schemes may be extended under a joint federal-state programme when unemployment reaches a given level.

In some states the normal period of entitlement during a benefit year is the same for everyone (uniform duration), whereas in others it is of variable duration. When it is of uniform duration, the period of entitlement is generally 26 weeks. When it is of variable duration, the period of entitlement is determined by the rights the claimant has acquired during the base period. In a number of cases, this is explicitly defined as a fraction of the number of weeks worked during this base period, e.g. in Florida : one week of benefits for every two weeks of work ; in Michigan and New Jersey : three weeks of benefits for every four weeks of work ; in Wisconsin : eight weeks of benefits for every ten weeks of work. However, in most states, the claimant's entitlement is calculated by dividing his base period wages (bpw) by the weekly benefit amount. The benefit

period is expressed as a fraction of the figure thus obtained, which ranges, for example, from one-quarter in Indiana to three-fifths in New Mexico. The figure in most cases is one-third.

To sum up what has been said above, the point to note is that, in the United States, the normal maximum duration of unemployment benefits under the various state schemes varies quite substantially but is mostly in the region of 26 to 34 weeks for a similar entitlement, although many claimants will qualify for a maximum duration of less than 26 weeks (because of variable duration programmes).

When unemployment reaches a certain level, in a particular state, the maximum benefit period may be extended beyond the normal duration. The Employment Security Act of 1970, as amended and as part of a programme financed jointly by the federal government and the states (Federal-States Extended Compensation Program), extends the benefit period when unemployment, at the state level, exceeds 4.0 per cent for three consecutive months and is 20 per cent higher than during the previous two years. The benefit period is then extended by a further 50 per cent of its normal duration, up to a maximum of 13 weeks and subject to an overall ceiling of 39 weeks. In addition, four states (California, Hawaii, Connecticut and Puerto-Rico) have their own provisions for extending the unemployment benefit period, the requirements and effects being similar to those under the Federal-States Extended Compensation Program.

In addition to these permanent provisions, the Congress may enact special temporary provisions for extended benefit programmes with short life spans to handle specific high-unemployment situations. For example, under the Emergency Unemployment Compensation Act, the benefit period was extended in January 1975 by a further 13 weeks and financed out of federal funds, up to maximum of 52 weeks, if the number of unemployed eligible for benefits had averaged 4 per cent over the previous 13 weeks, either at national level or in a particular state. At the end of 1975, this additional period was increased to 26 weeks, up to a maximum of 65 weeks. These provisions terminated in 1977.

B) Specific income-maintenance programmes

Apart from general unemployment insurance, the details of which are decided by each state under the terms of the Federal Unemployment Tax Act, there are a number of specific income-maintenance programmes covering particular categories of workers :

- The Trade Adjustment Assistance Program is designed to safeguard the income of workers affected by federal policy concerning trade with foreign nations.

- The Redwood Employee Protection Program provides protection for workers laid off by their employer as the result of the extension of the Redwood National Park.
- The Railroad Employee Protection Programs provide income maintenance for workers affected by the restructuring of the railroad system as a result of the establishment of the National Railroad Passenger Corporation (Amtrak) (inter-city links) in 1970 and the Consolidated Rail Corporation (Conrail) in 1973. The Urban Mass Transportation Employee Protection Program provides similar protection for urban transport workers whose jobs are threatened by technological innovation and reorganisation schemes financed out of federal funds.
- The Airline Employee Protection Program safeguards the income of employees affected by the airline industry's policy of reorganisation and deregulation.

The level of income maintenance provided by these different programmes ranges up to 100 per cent of former earnings ; most take the form of a supplement to unemployment insurance benefits, provided the claimant is eligible for these.

Of all these schemes, only the first (the Trade Adjustment Assistance Program) is of any size : the number of weekly benefit payments made under this scheme in 1980 was 13.0 million i.e. equivalent to about 8 per cent of the number of weekly benefit payments made under the unemployment insurance scheme (164 million).

C) Supplementary unemployment insurance schemes

A few private supplementary unemployment insurance schemes, funded by the employer, have been set up under collective agreements. There are some 200 agreements of this kind, covering at least 1 000 employees. These schemes exist mainly in the automobile, metallurgy, engineering and clothing industries. Together they cover no more than 2-3 per cent of the total labour force. An employee who is laid off is paid a supplementary unemployment insurance benefit by the scheme to which he belongs over a period which depends on his length of service. Usually, this payment will bring his unemployment insurance benefit up to 90-95 per cent of his former earnings. A number of these schemes provide benefits for employees on short time.

2. Compensation for partial unemployment

The basic scheme

In the United States, as in Canada, there is no special compensation scheme for partial unemployment. Partial

unemployment qualifies workers for benefits only if it meets the requirements laid down for compensating full unemployment. In view of the general principle whereby only complete weeks of unemployment qualify for benefits, compensation for partial unemployment is therefore in theory possible only in the case of complete weeks of unemployment alternating with weeks of work.

This principle has, however, been modified under what is somewhat questionably termed "partial unemployment compensation", to allow a person to perform a limited amount of paid work during a week for which he draws unemployment benefit. His unemployment benefits are then reduced in accordance with regulations which differ from state to state.

If he is to receive benefits, his earnings during the week when he is officially unemployed must not exceed a prescribed amount which, in many states, is equal to the weekly benefit amount (wba). Thus, the number of hours he is allowed to work can be said, very generally, to correspond to about half the previous number.

Two formulae are used to calculate the amount deducted from weekly benefit payments when a certain number of hours have been worked during a week of unemployment. The first formula, by far the most widely used (48 states), does not take into account the wages (w) earned from such work up to a given ceiling ($w_o$). Over and above this ceiling, the difference $w - w_o$ is simply deducted from the weekly benefit amount - in other words, forfeited. The allowable earnings amount $w_o$ is expressed :

- either as a fixed amount which, owing to the effects of inflation, is now a fairly low figure, ranging from $ 2 in Hawaii to $ 25 in West Virginia ; in most cases, it is between $ 8-10 ;
- or as a proportion of the weekly benefit amount : one-fifth of the wba in New Hampshire, New Mexico and Ohio, one-quarter in Colorado, but generally two-fifths or one-half.

The other formula, applied in only four states (Connecticut, Kentucky, Nevada and Washington) is to reduce the weekly benefit amount (wba) in proportion to the wages w earned for the work done. In Kentucky 4/5 of the wages earned are deducted, 3/4 in Nevada and Washington State and 2/3 in Connecticut.

From the point of view of partial unemployment compensation, the first formula has two disadvantages. The first may arise from the level $w_o$ above which the entire amount of earned income is forfeited. A ceiling which is set too low makes adequate compensation for partial unemployment impossible, at least in the case of a significant reduction in the number of hours worked.

Example : Maryland

In Maryland, the ceiling $w_o$ is set at $ 10, which is an average figure for all the states that have adopted this system.

Let us take a worker whose previous wage was $ 200 per week for a 40-hour week. Let us assume in this case, and in those which follow, that the weekly benefit amount (wba) to which he would be entitled if he were completely unemployed is $ 100. Let us suppose that he works for two days during the week at the same wage rate as previously, receiving a wage w of $ 80.

In which case :

$$wba = 100$$
$$w = 80$$
$$w_o = 10$$

He would receive a reduced weekly benefit amount (rwba) of :

$$rbwa = wba - (w - w_o)$$
$$= 100 - (80 - 10) = 30$$

compared with a loss of income of $ 120. In this case, therefore, the compensation rate for "partial unemployment" is equal to 25 per cent, compared with a rate of 50 per cent for total unemployment.

In total, this person's income for the week would amount to :

$$80 + 30 = 110$$

Example : Pennsylvania

In Pennsylvania, the ceiling $w_o$ is fixed at 40 per cent of the weekly benefit amount. This is a high figure and close to the maximum of 50 per cent.

In this state, the same worker would therefore have :

$$w_o = 0.40\ wba = 40$$
$$rwba = wba - (w - w_o)$$
$$= 100 - (80 - 40) = 60$$

This reduced weekly benefit amount has to be set against a loss of income of $ 120. In this case the compensation rate for "partial unemployment" is therefore equivalent to 50 per cent i.e. similar to the rate for total unemployment.

In total, this person's income for the week would amount to :

80 + 60 = 140

At first sight, this second example would seem to indicate that the system of reducing the weekly unemployment benefit amount where the work is done during the week concerned might, provided the ceiling $w_o$ is set sufficiently high, be a way of compensating for loss of income due to partial unemployment in the sense we are using this term here, i.e. a reduction in the number of hours worked per day or the alternation of days worked with days not worked. In practice, this is not so because it is precisely where the other disadvantage of the first formula for reducing the weekly benefit amount arises.

The fact is that no one drawing unemployment benefit has any interest in doing more work during a given week than that necessary to provide him with an income equal to $w_o$, as he will forfeit all of his earnings above this amount. (This, of course, assumes that the person earns the same monthly wage when partially employed as when fully employed. Experience was shown that many claimants pick up a variety of low-paying jobs with employers other than their regular employer during periods of lay-off). For instance, the worker whom we have been using as our example, and whose hourly wage rate is equivalent to $ 5, has no reason to work for more than two hours during the course of any one week in Maryland or for more than one day in Pennsylvania. By so doing, he attains the maximum allowable income i.e. $ 110 in Maryland and $ 140 in Pennsylvania (4).

This brief analysis demonstrates that the reduced weekly benefit system has been designed not as a means for compensating partial unemployment, but for substantially reducing the incentive to work during a week in which benefit is paid.

The second formula, on the other hand, does provide some incentive to do as much work as possible during any one week for which the person is in receipt of benefit - he merely forfeits a portion of the income he earns. However, as the following examples demonstrate, this portion, even in the most favourable case, i.e. Connecticut, is sufficiently high to make compensation for partial unemployment less advantageous than compensation for total unemployment.

Example : Nevada

In Nevada, the weekly benefit amount is reduced by three-quarters of any income earned from work done during that period.

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4. At the same time, the compensation rate for partial unemployment reaches its maximum level i.e. 52.6 per cent in Maryland and 62.5 per cent in Pennsylvania.

Let us return to the worker we have been using in our previous examples i.e. with a previous wage of $ 200 per week for a five-day week and a weekly benefit amount of $ 100 and calculate what his position would be in Nevada.

- If he works for one day, his reduced weekly benefit amount will be :

$$rwba = wba - \frac{3}{4} w$$

$$= 100 - \frac{3}{4} 40 = 70$$

This compares with a loss of earned income amounting to $ 160. The partial unemployment compensation rate is equivalent in this case to 43.75 per cent.

His total income for the week will therefore amount to :

$$40 + 70 = 110$$

- If he works for two days, his reduced weekly benefit amount will be :

$$rwba = 100 - \frac{3}{4} 80 = 40$$

The loss of earned income in this case amounts to $ 120 and the compensation rate for partial unemployment will drop to only 33.33 per cent.

His total income for the week will, however, rise :

$$80 + 40 = 120$$

Example : Connecticut

In Connecticut, the situation is more favourable to our worker : the weekly unemployment benefit amount is reduced by only two-thirds of any income earned during that week.

If he works for one day, he will receive the following reduced weekly benefit amount :

$$rwba = wba - \frac{2}{3} w$$

$$= 100 - \frac{2}{3} 40 = 73.33$$

compared with a loss of earned income amounting to $ 160. The compensation rate for short time is equivalent in this case to 45.8 per cent.

His total income for the week will therefore amount to :

$$40 + 73.33 = 113.33$$

- If he works two days, his reduced weekly benefit amount will be :

$$rwba = 100 - \frac{2}{3}\,80 = 46.67$$

compared with a loss of earned income amounting to $ 120. The compensation rate for partial unemployment is equivalent in this case to 38.9 per cent.

However, his total income for the week will amount to :

$$80 + 46.67 = 126.67$$

To sum up, the system of reducing unemployment benefits in cases where a certain amount of work has been done during a benefit week does not, because of the stringent constraints involved, constitute a means of compensating partial unemployment whatever terminology is used.

As a rule, the permissible amount of work is less than half the former weekly amount, which means that a worker will qualify for benefits only if his working hours are reduced by more than half the normal working week.

This first constraint therefore excludes the most common partial unemployment situations i.e. where working hours have been reduced by something in the region of 20-40 per cent.

What is more, in the vast majority of cases, the worker affected by partial unemployment will find that it is not worth his while to work for more than an even shorter period than this, e.g. usually for no more than one day a week. In most cases the employer cannot therefore use the system of a shorter working week as a means of adjusting the number of hours worked to a decline in his firm's activity. His only solution is to lay off the staff concerned for complete working weeks, possibly alternating them with a week of work.

In the four states (Connecticut, Kentucky, Nevada and Washington) where the reduced benefit system still provides some incentive to do as many hours' work as possible, the compensation rate for partial unemployment, for a viable reduction in the total number of hours worked, is nonetheless lower than for full unemployment. Consequently, it is more to the advantage of the workers concerned to be laid off for complete weeks, possibly alternating these with weeks at work, than to work a shorter week.

## The Californian experiment

However, with the level of unemployment on the increase, compensation for partial unemployment is still an issue. It has been suggested that, during periods of high unemployment working hours should be reduced to enable the available jobs to be spread over a larger number of people. One of the main measures proposed in this context is to allocate partial unemployment benefits as a means of avoiding lay-offs or redundancies.

The federal government has so far taken little action in this area. During 1978 and 1979, a committee set up by the Federal Department of Labor carried out a preliminary study of partial unemployment compensation and examined the possibility of carrying out a pilot experiment (5). More recently, members of Congress tabled a bill designed to provide the states with the necessary legislative framework for setting up partial unemployment compensation programmes and with the request that the Department of Labor should carry out a pilot experiment in this field (6).

However, it was independently of any federal initiative that the State of California began an experiment in short-time compensation in mid-1978, for a trial period of 18 months. In July 1979 this experiment was extended for a further two years.

California's "Work-Sharing Unemployment Insurance Program", which operates under the state's unemployment insurance scheme, was designed in such a way as to be completely compatible with it :

- The qualifying requirements are the same for both schemes : to be eligible for either, a worker has to have had an earned income of at least $ 900 during the base period (four quarters).
- The partial unemployment compensation rate is the same as for full unemployment : for example, a worker who is eligible for the maximum full unemployment weekly benefit amount, i.e. $ 120 in 1980, would draw $ 24 under the work-sharing unemployment programme for each working day lost.

The essential feature of this system of compensation is that it is neutral as regards the choice of solution adopted to suit particular circumstances i.e. work-sharing,

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5. The report of this committee is summarised in "Short-time Compensation", UI Occasional Paper, Office of Research, Legislation and Program Policies, Unemployment Insurance Service, Employment and Training Administration, U.S. Department of Labor, Washington D.C.

6. Patricia Schroeder's Work-Sharing Bill, HR 7529, U.S. House of Representatives.

lay-offs or redundancies. From the compensation standpoint, the only factor that biases this scheme in favour of work-sharing is that the latter obviates the waiting period which in the case of California is one week.

The period during which partial unemployment benefits are payable is 20 weeks in any 52-week period commencing from the first week of benefit payment. If, after 20 weeks, the employees concerned are laid off, they are entitled to unemployment insurance benefits for a slightly reduced period to take account of the partial unemployment benefits already received.

As a general rule, workers can qualify for partial unemployment benefit without the requirement that they should be actively seeking another job, unlike a person who is fully unemployed (7).

The employer's participation in the work-sharing programme is voluntary, although he must get the union's agreement when his employees are covered by a collective agreement. In order to join the scheme, an employer merely has to submit a request to the programme administrators. The only stipulations concern the scale on which the short time is organised : it should involve at least 10 per cent of the firm's permanent staff and at least 10 per cent of their work time, the object being to cut down the relative costs of administering the programme.

However, in contrast to other countries and Germany in particular, the employer is not required to show that the short-time is unavoidable. In addition, there is no restriction on the employer's freedom to dismiss, lay off, transfer or take on workers either before or after the programme comes into operation.

However, one of the programme's financial provisions tends to discourage its use by firms which are accustomed to lay off workers in order to meet seasonal decline in their activity. Where the unemployment insurance benefits paid out over a recent period have exceeded the contributions paid in by certain employers ("negative reserve employers") the latter are required to pay a supplementary contribution of between 0.3 and 0.5 per cent of their wage bill, if they wish to participate in the programme (8).

Up till now, this Californian work-sharing programme has been given little publicity. Between July 1978 and the end of September 1979, 312 employers took part in the programme and 3 165 workers were paid partial unemployment

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7. The employer need only state that the work-sharing arrangement is temporary.

8. This supplementary contribution is calculated on the basis of a wage ceiling of $ 6 000 per person per year.

benefits. By April 1980, a total of 701 firms had submitted an application (9). It is interesting to note that the reduction in the number of hours worked per week has usually been 20 per cent : two-thirds of the firms taking part reduced their working week from five to four days. This would not have been possible under the full unemployment scheme.

## II. STATISTICAL ASPECTS

In the United States, because of the wide variety of unemployment insurance schemes and the different manner in which employment services are organised in each state, the administrative statistics on unemployment derived from these sources they issue are not comparable. For the United States as a whole as well as for each state and for smaller zones, "labour market areas", the source for the official statistical series on unemployment is the Current Population Survey (CPS) carried out monthly on a sample of households. The CPS figures for the country as a whole, for the ten largest states (New York, California, Illinois, Ohio, New Jersey, Pennsylvania, Michigan, Texas, Massachusetts and Florida) and for two other areas (the Los Angeles-Long Beach metropolitan area and New York City) are sufficiently reliable to be used directly. For the remaining states and areas, the local monthly statistical series on unemployment insurance claimants is adjusted to the six-monthly or twelve-monthly CPS average for the area. In either case, the official series is adjusted to the concepts used to define unemployment in the CPS survey.

The Current Population Survey is carried out by the Bureau of the Census (Department of Commerce) in conjunction with the Bureau of Labor Statistics (Department of Labor). Every month the Bureau of the Census interviews a sample of about 60 000 households and processes the data thus obtained ; the Bureau of Labor Statistics analyses and publishes the results. To be considered unemployed in this survey, an applicant must satisfy all the following requirements :

i) Not to have worked, even for one hour, during the survey week and not have a job from which he was temporarily absent on account of illness, bad weather, vacations, industrial dispute or personal reasons.

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9. These figures should be compared with the total number of firms in California (500 000) and the corresponding total number of employees (10 million).

ii) To have actively looked for work during the course of the previous four weeks (via a public or private employment office, trade union or professional association, by a direct approach to an employer, through personal relations, advertisements, etc.).

iii) To have been fit and available for work during the course of the week preceding the survey, had a job been available : a person who would not have been able to start work is not considered as unemployed, except in the case of temporary illness.

Persons also classified as unemployed, without the requirement that they should be actively seeking employment, are those who have already found a paid job due to start within 30 days and those who are expecting to be recalled after a temporary lay-off, irrespective of its duration.

On these criteria, persons who have been laid off but who have done at least one hour's work during the survey week, are considered as being employed. It is impossible to separate such persons from those who, without being laid off, have worked fewer hours during the survey week through partial unemployment. It is possible, however, roughly to isolate the total for these two categories through the answers to three questions :

- A question on the number of hours worked during the survey week i.e.
  "... 1 to 34 hours" (10).
- A question which establishes the relation between the normal working week and 35 hours i.e.
  "20C. Does ... usually work 35 hours or more a week at this job ?
  ... Yes".
- A question as to why fewer than 35 hours were worked during the survey week i.e.
  "What is the reason ... worked less than 35 hours last week ?
  ... Slack work".

Providing they satisfy the availability criterion, persons stating that they have not worked at all during

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10. There are three possible answers to this question : "49 hours or more ; 1-34 hours, 35-48 hours". If the person answers "35-48 hours", there is a special procedure for checking that the number of hours stated is the actual number of hours worked during the survey week and not the number of hours he worked in a normal week. The original reply is then corrected if necessary.

the survey week because they were laid off are classified straight away as unemployed, irrespective of when and for how long they expect to be laid off. Two questions serve to identify such persons :

- A question as to whether the person had a job from which he was absent during the survey week as the result of lay-off, i.e.
  "21. Did ... have a job or business from which he/she was temporarily absent or on lay-off last week ?
  ... Yes".
- A question on the reason for this absence, i.e.
  "21A. Why was ... absent from work last week ?
  ... Temporary lay-off (under 30 days)
  ... Indefinite lay-off (30 days or more or no definite recall date).

Lay-offs are therefore divided into two separate categories depending on how long they have lasted or are expected to last. The reason for this distinction is that, prior to 1957, persons who were laid off temporarily for 30 days or longer, or for an indefinite period were classified as unemployed. This change in definition goes to show that the definition of unemployment currently used is not entirely self-evident (11).

These two questions in the Current Population Survey questionnaire have been specially designed to enable lay-offs to be accurately identified and quantified. Particular care has been taken with the phrasing of question 21 and it would appear unlikely that a person who had been laid off, even if he considered himself to be unemployed, would not be picked up by means of this filter question.

On the other hand, unlike the Canadian survey, the United States questionnaire does not make it possible to determine whether the persons laid off are actively seeking employment. This is a serious shortcoming, although easy enough to remedy (12), which makes it more difficult to compare the level of unemployment in the United States with other countries which do not use exactly the same criteria.

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11. The distinction between temporary and indefinite lay-offs will be dropped in 1983, because experience has shown that in many cases the two categories were indistinguishable.

12. The United States plans to remedy this, beginning in January 1983 when all persons on lay-off will be asked if they have been looking for work (in the past four weeks). There is also a plan to ask laid-off individuals if they have an expected recall date or a specific circumstance that would result in their recall. The United States does not, however, anticipate changing its definitions as a result of collecting this information.

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